

FINANCIAL STATEMENTS

VILLAGE OF BARAGA, MICHIGAN

February 28, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Baraga	County Baraga
Fiscal Year End February 28, 2006	Opinion Date October 3, 2006	Date Audit Report Submitted to State October 30, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

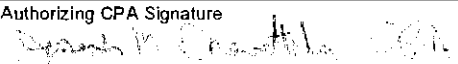
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Joseph M. Daavettila, P.C., CPA		Telephone Number (906) 482-3830		
Street Address 417 Shelden Avenue		City Houghton	State MI	Zip 49931
Authorizing CPA Signature 		Printed Name Joseph M. Daavettila		License Number 1101015628

## CONTENTS

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Assets	17
Statement of Revenues, Expenses, and Changes in Net Assets	18
Statement of Cash Flows	19
Discretely Presented Component Unit:	
Downtown Development Authority:	
Statement of Net Assets	21
Statement of Activities	22
Notes to Financial Statements	23
 <u>Required Supplementary Information</u>	
General Fund - Budgetary Comparison Schedule	48
Major Street Fund - Budgetary Comparison Schedule	49
Local Street Fund - Budgetary Comparison Schedule	50
Road Fund - Budgetary Comparison Schedule	51
Waterfront Fund - Budgetary Comparison Schedule	52
Housing Rehabilitation Fund - Budgetary Comparison Schedule	53
Revolving Fund Loan - Budgetary Comparison Schedule	54
Note to Required Supplementary Information - Budgetary Information	55
 <u>Other Financial Information</u>	
General Fund:	
Details of Revenues and Operating Transfers in - Budget and Actual	57
Details of Expenditures and Operating Transfers Out - Budget and Actual	58
Special Revenue Funds:	
Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	62
Proprietary Funds - Enterprise:	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings	64
Combining Schedule of Operating Expenses	65
Combining Statement of Cash Flows	66

CONTENTS (CONTINUED)

	Page
<u>Other Financial Information (Continued)</u>	
Water Fund:	
Balance Sheets	67
Statements of Revenues, Expenses, and Changes in Retained Earnings	68
Statement of Revenues, Expenses, and Changes in Retained Earnings - Budget and Actual	69
Sewer Fund:	
Balance Sheets	70
Statements of Revenues, Expenses, and Changes in Retained Earnings	71
Statement of Revenues, Expenses, and Changes in Retained Earnings - Budget and Actual	72
Electric Fund:	
Balance Sheets	73
Statements of Revenues, Expenses, and Changes in Retained Earnings	74
Statement of Revenues, Expenses, and Changes in Retained Earnings - Budget and Actual	75
Schedule of Expenditures of Federal Awards	76
Notes to Schedule of Expenditures of Federal Awards	77
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	78
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	80
Schedule of Findings and Questioned Costs	82
Management Letter	83

**JOSEPH M. DAAVETILA, P.C.**  
*Certified Public Accountant*  
417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

October 3, 2006

To the Village Council  
Village of Baraga, Michigan

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village of Baraga's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Baraga's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated October 3, 2006, on our consideration of the Village of Baraga, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 49 through 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Baraga, Michigan's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, and is also not a required part of the basic financial statements of the Village of Baraga, Michigan. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Joseph M. Davetula PC". The signature is written in a cursive, flowing style.

Certified Public Accountant

VILLAGE OF BARAGA, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the year ended February 28, 2006

The following discussion and analysis of the Village of Baraga's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2006. Please read it in conjunction with the Village's financial statements, which begin on page 11.

**FINANCIAL HIGHLIGHTS**

The Village's net assets remained virtually unchanged as a result of this year's operations. While net assets of our business-type activities decreased by \$45,012, or .6 percent, net assets of our government activities increased by \$54,475, or 1.7 percent. Overall, the Village budgets are in adequate shape.

The Village's General Fund continues to be supplemented by a significant transfer of \$444,000 from the Electric Fund.

The Village's General Fund increased fund equity \$66,617 even while taking \$64,800 less in budgeted transfers from the Electric Fund.

The Major Street Fund increased its balance by \$8,652 while the Local Street increased \$5,663 balance.

The Water Fund net assets decreased by \$239,876, though much of it through depreciation. The Water Fund cash balance decreased by \$36,097 this year, but its important to note that the Village paid \$24,782 into bond reserve accounts that can only be used by the Water Fund but are not included in the cash balance. Also, the Water Fund conducted major water main and service line improvements not initially planned for this year due to the potential long term savings of replacing these lines at the same time as the Wastewater Project occurred in the summer of 2005.

The Electric Fund still continues to stay profitable with an increase in \$178,374 in its cash balance despite the heavy transfers to other funds.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 11 and 12 provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's individual funds.

**Reporting the Village as a Whole**

Our analysis of the Village as a whole begins on page 5. One of the most important questions asked about the Village's finances is, "Is the Village as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net assets and changes to them. You can think of the Village's net assets - the difference between assets and liabilities - as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Village's property tax base and the condition of the Village's roads, to assess the overall health of the Village.

**Governmental activities** - Most of the Village's basic services are reported here, including the police, fire, public works, park departments, and general administration. Property taxes, state revenue sharing, transfers from other funds, and state and federal grants finance most of these activities.

**Business-type activities** - The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water, sewer, and electric departments are reported here.

**Component units** - The Village includes the Village of Baraga Downtown Development Authority in its report - although legally separate, this "component unit" is important because the Village is financially accountable for it.

### **Reporting the Village's Most Significant Funds**

The analysis of the Village's funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the Village as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Village Council establishes many other funds to help it control and manage money for particular purposes (like the Waterfront Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Village's two kinds of funds - governmental and proprietary - use different accounting approaches.

**Governmental Funds** - Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

**Proprietary Funds** - When the Village charges customers for the services it provides - whether to outside customers or to other units of the Village - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Village's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the Village's other programs and activities - such as the Village's Motor Vehicle Fund.

### **The Village as Trustee**

Many communities may serve as a trustee, or fiduciary, for its employees' pension plan. In these communities, the government may hold funds in trust that can only be used for trust beneficiaries. The Village of Baraga does not maintain any fiduciary funds - our employees' pension plan system is managed by the Michigan Employees' Retirement System.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**The Village as a Whole**

The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Village's governmental and business-type activities.

Table 1  
Village of Baraga's Net Asset  
February 28, 2006

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 1,646,151	\$1,507,070	\$ 7,023,692	\$3,912,733
Capital assets	<u>1,904,960</u>	<u>2,029,567</u>	<u>5,583,656</u>	<u>5,810,207</u>
Total assets	<u>\$ 3,551,111</u>	<u>\$3,536,637</u>	<u>\$12,607,348</u>	<u>\$9,722,940</u>
Long-term liabilities	\$ 155,950	\$ 218,187	\$ 4,564,000	\$1,843,500
Other liabilities	<u>94,827</u>	<u>72,691</u>	<u>401,953</u>	<u>193,033</u>
Total liabilities	<u>\$ 250,777</u>	<u>\$ 290,878</u>	<u>\$ 4,965,953</u>	<u>\$2,036,533</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 1,691,462	\$1,764,143	\$ 3,740,156	\$3,928,207
Restricted	-	-	139,163	189,855
Unrestricted	<u>1,608,872</u>	<u>1,481,616</u>	<u>3,762,076</u>	<u>\$3,568,345</u>
Total net assets	<u>\$ 3,300,334</u>	<u>\$3,245,759</u>	<u>\$ 7,641,395</u>	<u>\$7,686,407</u>

Overall, the Village increased Net Assets by \$9,563, or .09 percent. The Village showed an increase in Net Assets of Governmental Activities by \$54,575, or 1.7 percent, but a decrease in Business-type activities by \$45,012, or .6 percent.

Undoubtedly, the biggest change in Net Assets for the Village lies in the approximate \$3.3 million Joint Wastewater Improvement project the Village substantially completed in the summer of 2005. The project included expansion of the existing lagoon system, upgrading of the main lift station, and the replacement of roughly 9,000 linear feet of wastewater line. The village received a grant from the Michigan Economic Development Corporation's Community Development Block Grant program for \$150,000, and issued a revenue bond for \$2,890,000 to finance the project. The Village will also receive a grant from Indian Health Services for \$279,500 in the year ended February 28, 2007.

Total Primary Government	
2006	2005
\$ 8,669,843	\$ 5,419,803
<u>7,488,616</u>	<u>7,839,774</u>
\$16,158,459	\$13,259,577
\$ 4,719,950	\$ 2,061,687
<u>496,780</u>	<u>265,724</u>
\$ 5,216,730	\$ 2,327,411
\$ 5,431,618	\$ 5,692,350
139,163	189,855
<u>5,370,948</u>	<u>5,049,961</u>
<u>\$10,941,729</u>	<u>\$10,932,166</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Table 2  
Village of Baraga's Changes in Net Assets  
February 28, 2006

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Revenues:				
Program revenues:				
Charges for services	\$ 26,769	\$ 30,979	\$ 2,193,338	\$2,036,163
Operating grants and contributions	607,819	603,880	-	-
Capital grants and contributions	-	-	150,000	204,299
General revenues:				
Property taxes	163,934	147,294	-	-
Investment earnings (loss)	54,609	42,112	( 41,225)	( 50,083)
Gain on sale of assets	-	8,125	-	-
Miscellaneous	16,198	24,743	-	-
Total revenues	<u>\$ 869,329</u>	<u>\$ 857,133</u>	<u>\$ 2,302,113</u>	<u>\$2,190,379</u>
Expenses:				
General government	\$ 629,055	\$ 548,755	\$ -	\$ -
Public safety	172,480	194,389	-	-
Public works	386,140	412,852	-	-
Health and welfare	20,303	18,196	-	-
Community and economic development	2,135	2,286	-	-
Recreation and culture	30,819	41,173	-	-
Interest on long-term debt	9,293	12,753	-	-
Water	-	-	685,262	550,666
Sewer	-	-	152,191	127,179
Electric	-	-	1,083,093	1,111,130
Total expenses	<u>\$ 1,250,225</u>	<u>\$1,230,404</u>	<u>\$ 1,920,546</u>	<u>\$1,788,975</u>
Increase (decrease) in net assets before transfers	(\$ 380,896)	(\$ 373,271)	\$ 381,567	\$ 401,404
Transfers	435,471	396,971	( 426,579)	( 363,789)
Increase (decrease) in net assets	\$ 54,575	\$ 23,700	(\$ 45,012)	\$ 37,615
Net assets-beginning of year	<u>3,245,759</u>	<u>\$3,222,059</u>	<u>7,686,407</u>	<u>7,648,792</u>
Net assets-end of year	<u>\$ 3,300,334</u>	<u>\$3,245,759</u>	<u>\$ 7,641,395</u>	<u>\$7,686,407</u>

Total Primary Government	
2006	2005
\$ 2,220,107	\$ 2,067,142
607,819	603,880
150,000	204,299
163,934	147,294
13,384	( 7,971)
-	8,125
<u>16,198</u>	<u>24,743</u>
<u>\$ 3,171,442</u>	<u>\$ 3,047,512</u>
\$ 629,055	\$ 548,755
172,480	194,389
386,140	412,852
20,303	18,196
2,135	2,286
30,819	41,173
9,293	12,753
685,262	550,666
152,191	127,179
<u>1,083,093</u>	<u>1,111,130</u>
<u>\$ 3,170,771</u>	<u>\$ 3,019,379</u>
\$ 671	\$ 28,133
<u>8,892</u>	<u>33,182</u>
\$ 9,563	\$ 61,315
<u>10,932,166</u>	<u>10,870,851</u>
<u>\$10,941,729</u>	<u>\$10,932,166</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Governmental Activities**

Very little change occurred in the Net Assets of Government Activities. Before transfers, revenues increased 1.4% while expenses increased 1.6%. After transfers, Net Assets increased \$54,575, or 1.7%. Governmental Activities basically stayed the course.

**Business-type Activities (Water, Sewer, and Electric)**

Overall this year, there was a net income from Business-type Activities of \$381,567 (before transfers), with most of the increase coming from the Electric Fund. The Village Electric Fund earned \$571,223 in operating income, and transferred \$444,000 to the General Fund. The Sewer Fund held its own this year with a small operating loss of \$1,783, but an overall increase in net assets of \$43,789. The Water Fund, however, decreased net assets by \$239,876, much of it due to depreciation. The Water Fund cash balance also decreased by \$36,079 but it's important to note that the Village paid \$24,782 into bond reserve accounts that can only be used by the Water Fund but are not included in the cash balance. Also, the Water Fund conducted major water main and service line improvements not initially planned for this year due to the potential long term savings of replacing these lines at the same time as the Joint Wastewater Project occurring in the summer of 2005. While these improvements cost approximately \$11,000 now, it was cheaper to do it now than replacing the lines in the next several years.

**The Village Funds**

The following schedule presents a summary of general, special revenue, capital projects, and debt service fund revenues and expenditures for the fiscal year ending February 28, 2006 and the amount of increases and decreases in relation to the prior year.

Table 3  
Village of Baraga's General, Special Revenue, and Debt Service  
Revenues and Expenditures  
February 28, 2006

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Revenues:			
Taxes	\$ 170,291	\$ 168,460	\$ 1,831
Intergovernmental revenues	260,970	309,938	( 48,968)
Charges for services	9,866	9,466	400
Interest and rents	54,609	42,112	12,497
Other revenue	<u>430,429</u>	<u>400,838</u>	<u>25,591</u>
Total revenues	<u>\$ 926,165</u>	<u>\$ 930,814</u>	<u>(\$ 8,649)</u>
Expenditures:			
General governmental administration	\$ 641,054	\$ 588,117	\$ 52,937
Public safety	180,084	192,820	( 12,736)
Public works	238,169	290,356	( 52,187)
Health and welfare	20,303	18,196	2,107
Community and econ, development	232,135	36,286	195,849
Recreation and culture	30,582	42,239	( 11,657)
Debt service	<u>57,549</u>	<u>57,549</u>	<u>-</u>
Total expenditures	<u>\$ 1,399,876</u>	<u>1,225,563</u>	<u>\$ 174,313</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Tax revenues stayed about the same as last year due to another year of not increasing taxes. Intergovernmental revenues decreased from last year mainly due to the decrease in revenue sharing from the state. Finally, the major difference in expenditures from last year in the Community and Economic Development section is the \$180,000 Revolving Loan Fund loan granted to the Keweenaw Bay Motel Developers (Best Western Lakeside) for the hotel expansion completed in 2005.

**General Fund Budgetary Highlights**

While the General Fund continues to be heavily funded from the Electric Fund, the General Fund equity did increase \$66,617 without receiving an additional \$64,800 budgeted from the Electric Fund. There were no extraordinary deviations from the budget, and the fund is in overall adequate shape.

**Capital Asset and Debt Administration**

Capital Assets - On February 28, 2006, the Village had \$7,488,616 invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water. The decrease in Capital Assets is due to depreciation.

Table 4  
Capital Assets at Year-end  
Net of Accumulated Depreciation  
February 28, 2006

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 121,651	\$ 121,651	\$ -	\$ -	\$ 121,651	\$ 121,651
Buildings	601,373	618,649	-	-	601,373	618,649
Improvements	990,414	1,029,747	-	-	990,414	1,029,747
Equipment	156,973	224,169	19,635	22,410	176,608	246,579
Infrastructure	<u>34,549</u>	<u>35,351</u>	<u>5,564,021</u>	<u>5,787,797</u>	<u>5,598,570</u>	<u>\$5,823,148</u>
Total	<u>\$1,904,960</u>	<u>\$2,029,567</u>	<u>\$5,583,656</u>	<u>\$5,810,207</u>	<u>\$7,488,616</u>	<u>\$7,839,774</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt - On February 28, 2006, the Village had \$4,905,655 in bonds, notes, and contracts outstanding. The main increase in the debt is due primarily to the \$2,890,000 bond issued for the Joint Wastewater Project.

Table 5  
Outstanding Debt at Year End  
Bonds and Notes Payable  
February 28, 2006

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue bonds	\$ -	\$ -	\$4,733,500	\$1,882,000	\$4,733,500	\$1,882,000
Installment Purchase Contracts	<u>172,155</u>	<u>219,392</u>	<u>-</u>	<u>-</u>	<u>172,155</u>	<u>219,392</u>
Total	<u>\$ 172,155</u>	<u>\$219,392</u>	<u>\$4,733,500</u>	<u>\$1,882,000</u>	<u>\$4,905,655</u>	<u>\$2,101,392</u>

## Economic Factors for Next Year's Budgets and Rates

Undoubtedly, the largest factor for next year's budgets and rates will be the increase in cost of power purchased from the U.P. Power Company. The Village's cost for power in calendar year 2005 sat at roughly \$.042 per kilowatt hour (KWh). In calendar year 2006, the rate will increase roughly \$.073 per kilowatt hour (KWh). The Village has already increased residential and commercial rates to partially pay for the increase. The Village will have to closely monitor the Electric Fund in 2006.

## CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, contact the Village Manager's Office at 100 Hemlock Street, Baraga, Michigan 49908.

## BASIC FINANCIAL STATEMENTS



VILLAGE OF BARAGA, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
February 28, 2006

	Primary Government			
	Governmental	Business -		Component
	Activities	Type	Total	Unit
		Activities		
<u>ASSETS</u>				
Cash	\$ 391,179	\$ 911,937	\$ 1,303,116	\$ 298,052
Accounts receivable	6,070	28,642	34,712	-
Taxes receivable	19,378	-	19,378	-
Prepaid expense	-	-	-	3,089
Due from other				
governmental units	15,763	107,316	123,079	-
Due from component unit	50	3,000	3,050	-
Bond proceeds receivable	-	176,503	176,503	-
Internal balances	86,077	( 86,077)	-	-
Restricted assets	-	215,849	215,849	-
Investments	-	186,292	186,292	-
Investments in joint				
venture	-	125,479	125,479	-
Investment in Baraga				
Village/Keweenaw Bay				
Reservation Waste				
Water Authority	-	5,354,751	5,354,751	-
Long-term loans	1,127,634	-	1,127,634	-
Capital assets - net	<u>1,904,960</u>	<u>5,583,656</u>	<u>7,488,616</u>	<u>174,592</u>
TOTAL ASSETS	<u>\$ 3,551,111</u>	<u>\$12,607,348</u>	<u>\$16,158,459</u>	<u>\$ 475,733</u>
<u>LIABILITIES</u>				
Cash overdraft	\$ -	\$ 20,500	\$ 20,500	\$ -
Accounts payable	33,132	138,167	171,299	-
Accrued expenses	4,147	40,694	44,841	-
Due to primary government	-	-	-	3,050
Payable from restricted				
assets - customer deposits	-	33,092	33,092	-
Noncurrent liabilities:				
Due within one year	57,548	169,500	227,048	-
Due in more than one year	<u>155,950</u>	<u>4,564,000</u>	<u>4,719,950</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 250,777</u>	<u>\$ 4,965,953</u>	<u>\$ 5,216,730</u>	<u>\$ 3,050</u>
<u>NET ASSETS</u>				
Invested in capital assets				
net of related debt	\$ 1,691,462	\$ 3,740,156	\$ 5,431,618	\$ 174,592
Restricted for				
debt service	-	139,163	139,163	-
Unrestricted	<u>1,608,872</u>	<u>3,762,076</u>	<u>5,370,948</u>	<u>298,091</u>
TOTAL NET ASSETS	<u>\$ 3,300,334</u>	<u>\$ 7,641,395</u>	<u>\$10,941,729</u>	<u>\$ 472,683</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES  
For the Year ended February 28, 2006

Functions/Programs	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 629,055	\$ 6,572	\$ 456,293	\$ -
Public safety	172,480	674	15,894	-
Public works	386,140	9,866	135,632	-
Health and welfare	20,303	-	-	-
Culture and recreation	30,819	9,657	-	-
Economic development	2,135	-	-	-
Interest on long-term debt	<u>9,293</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$1,250,225</u>	<u>\$ 26,769</u>	<u>\$ 607,819</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 685,262	\$ 409,838	\$ -	\$ -
Sewer	152,191	130,841	-	150,000
Electric	<u>1,083,093</u>	<u>1,652,659</u>	<u>-</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$1,920,546</u>	<u>\$2,193,338</u>	<u>\$ -</u>	<u>\$ 150,000</u>
TOTAL PRIMARY GOVERNMENT	<u>\$3,170,771</u>	<u>\$2,220,107</u>	<u>\$ 607,819</u>	<u>\$ 150,000</u>
Component Unit - DDA	<u>\$ 23,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Unrestricted investment earnings				
Miscellaneous				
Loss from investment in Baraga Village/Keweenaw Bay Joint Waste Water Authority				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning of year				
Net assets - end of year				

The accompanying notes to financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
<u>Primary Government</u>			
<u>Government</u>	<u>Business -</u>	<u>Total</u>	<u>Component</u>
<u>Activities</u>	<u>type</u>		<u>Units</u>
<u>Activities</u>	<u>Activities</u>		
(\$ 166,190)	\$ -	(\$ 166,190)	
( 155,912)	-	( 155,912)	
( 240,642)	-	( 240,642)	
( 20,303)	-	( 20,303)	
( 21,162)	-	( 21,162)	
( 2,135)	-	( 2,135)	
( 9,293)	-	( 9,293)	
(\$ 615,637)	\$ -	(\$ 615,637)	
\$ -	(\$ 275,424)	(\$ 275,424)	
-	128,650	128,650	
-	569,566	569,566	
\$ -	\$ 422,792	\$ 422,792	
(\$ 615,637)	\$ 422,792	(\$ 192,845)	
\$ -	\$ -	\$ -	(\$ 23,327)
\$ 163,934	\$ -	\$ 163,934	\$ -
54,609	43,635	98,244	1,651
16,198	-	16,198	-
-	( 84,860)	( 84,860)	-
435,471	( 426,579)	8,892	29,042
\$ 670,212	(\$ 467,804)	\$ 202,408	\$ 30,693
\$ 54,575	(\$ 45,012)	\$ 9,563	\$ 7,366
\$3,245,759	\$7,686,407	\$ 10,932,166	\$ 465,317
\$3,300,334	\$7,641,395	\$ 10,941,729	\$ 472,683

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 101,833	\$ 47,294	\$ 13,890	\$ 12,341
Accounts receivable	6,070	-	-	-
Taxes receivable	9,346	-	-	10,032
Due from other funds	78,790	-	8,200	12,076
Due from other governmental units	-	-	-	8,837
Due from component units	-	-	-	-
Long-term loan	-	-	-	-
TOTAL ASSETS	<u>\$ 196,039</u>	<u>\$ 47,294</u>	<u>\$ 22,090</u>	<u>\$ 43,286</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 28,122	\$ 615	\$ 613	\$ -
Due to other funds	14,799	10,563	15,798	4,000
Deferred revenue	9,345	-	-	17,269
TOTAL LIABILITIES	<u>\$ 52,266</u>	<u>\$ 11,178</u>	<u>\$ 16,411</u>	<u>\$ 21,269</u>
<u>FUND BALANCES</u>				
Unreserved, reported in:				
General fund	\$ 143,773	\$ -	\$ -	\$ -
Special revenue funds	-	36,116	5,679	22,017
Debt service fund	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 143,773</u>	<u>\$ 36,116</u>	<u>\$ 5,679</u>	<u>\$ 22,017</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 196,039</u>	<u>\$ 47,294</u>	<u>\$ 22,090</u>	<u>\$ 43,286</u>

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1	\$ 9,792	\$ 180,638	\$ 100	\$ 365,889
-	-	-	-	6,070
-	-	-	-	19,378
14,144	-	-	-	113,210
-	-	-	-	8,837
-	-	50	-	50
-	<u>2,585</u>	<u>1,125,049</u>	-	<u>1,127,634</u>
<u>\$ 14,145</u>	<u>\$ 12,377</u>	<u>\$1,305,737</u>	<u>\$ 100</u>	<u>\$1,641,068</u>
\$ 1,662	\$ -	\$ -	\$ -	\$ 31,012
838	-	4,278	-	50,276
-	-	<u>1,125,049</u>	-	<u>1,151,663</u>
<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$1,129,327</u>	<u>\$ -</u>	<u>\$1,232,951</u>
\$ -	\$ -	\$ -	\$ -	\$ 143,773
11,645	12,377	176,410	-	264,244
-	-	-	100	100
<u>\$ 11,645</u>	<u>\$ 12,377</u>	<u>\$ 176,410</u>	<u>\$ 100</u>	<u>\$ 408,117</u>
<u>\$ 14,145</u>	<u>\$ 12,377</u>	<u>\$1,305,737</u>	<u>\$ 100</u>	<u>\$1,641,068</u>

VILLAGE OF BARAGA, MICHIGAN  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
February 28, 2006

Total fund balance - total governmental funds	\$ 408,117
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,732,089
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	223,022
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.	( 4,147)
Deferred revenue is unavailable revenue and therefore is not reported as a liability in the statement of net assets.	1,154,752
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	( 213,499)
Net assets of governmental activities	<u>\$3,300,334</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
Year ended February 28, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>REVENUES:</u>				
Taxes	\$ 140,067	\$ -	\$ -	\$ 30,224
Intergovernmental revenues	144,608	82,382	33,980	-
Service charges	9,866	-	-	-
Interest	12,384	-	-	-
Other revenue	<u>363,719</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 670,644</u>	<u>\$ 82,382</u>	<u>\$ 33,980</u>	<u>\$ 30,224</u>
<u>EXPENDITURES:</u>				
General government	\$ 641,054	\$ -	\$ -	\$ -
Public safety	180,084	-	-	-
Public works	106,122	68,530	63,517	-
Health and welfare	20,303	-	-	-
Culture and recreation	16,279	-	-	-
Economic development	-	-	-	-
Debt service:				
Principal	47,168	-	-	-
Interest and other charges	<u>10,381</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$1,021,391</u>	<u>\$ 68,530</u>	<u>\$ 63,517</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures	<u>(\$ 350,747)</u>	<u>\$ 13,852</u>	<u>(\$ 29,537)</u>	<u>\$ 30,224</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	\$ 459,000	\$ -	\$ 35,200	\$ 4,234
Transfers out	<u>41,636</u>	<u>( 5,200)</u>	<u>-</u>	<u>( 22,406)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 417,364</u>	<u>(\$ 5,200)</u>	<u>\$ 35,200</u>	<u>(\$ 18,172)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 66,617</u>	<u>\$ 8,652</u>	<u>\$ 5,663</u>	<u>\$ 12,052</u>
Fund balances, beginning of year	<u>\$ 77,156</u>	<u>\$ 27,464</u>	<u>\$ 16</u>	<u>\$ 9,965</u>
Fund balances, end of year	<u>\$ 143,773</u>	<u>\$ 36,116</u>	<u>\$ 5,679</u>	<u>\$ 22,017</u>

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 170,291
-	-	-	-	260,970
-	-	-	-	9,866
-	-	42,225	-	54,609
<u>9,657</u>	<u>-</u>	<u>57,053</u>	<u>-</u>	<u>430,429</u>
<u>\$ 9,657</u>	<u>\$ -</u>	<u>\$ 99,278</u>	<u>\$ -</u>	<u>\$ 926,165</u>
\$ -	\$ -	\$ -	\$ -	\$ 641,054
-	-	-	-	180,084
-	-	-	-	238,169
-	-	-	-	20,303
14,303	-	-	-	30,582
-	-	232,135	-	232,135
-	-	-	-	47,168
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,381</u>
<u>\$ 14,303</u>	<u>\$ -</u>	<u>\$ 232,135</u>	<u>\$ -</u>	<u>\$1,399,876</u>
<u>(\$ 4,646)</u>	<u>\$ -</u>	<u>(\$ 132,857)</u>	<u>\$ -</u>	<u>(\$ 473,711)</u>
\$ 16,279	\$ -	\$ -	\$ -	\$ 514,713
-	-	( 10,000)	-	( 79,242)
<u>-</u>	<u>-</u>	<u>( 10,000)</u>	<u>-</u>	<u>-</u>
<u>\$ 16,279</u>	<u>\$ -</u>	<u>(\$ 10,000)</u>	<u>\$ -</u>	<u>\$ 435,471</u>
<u>\$ 11,633</u>	<u>\$ -</u>	<u>(\$ 142,857)</u>	<u>\$ -</u>	<u>(\$ 38,240)</u>
<u>\$ 12</u>	<u>\$ 12,377</u>	<u>\$ 319,267</u>	<u>\$ 100</u>	<u>\$ 446,357</u>
<u>\$ 11,645</u>	<u>\$ 12,377</u>	<u>\$ 176,410</u>	<u>\$ 100</u>	<u>\$ 408,117</u>



VILLAGE OF BARAGA, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

February 28, 2006

Net change in fund balances - total governmental funds.	(\$ 38,240)
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	14,917
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Fund's depreciation expense of \$41,393.	( 142,683)
Repayment of revolving loan fund loan principal, in the amount of \$57,053, is recorded as revenue in the governmental funds, but not in the statement of activities. New revolving loans, in the amount of \$230,000, are expenditures in the governmental funds, but not in the statement of activities.	172,947
Repayment of long-term debt, in the amount of \$47,237 is recorded as an expenditure in the governmental funds, but not in the statement of activities.	47,237
Some property tax will not be collected within sixty days after the Village's fiscal year end; therefore, they are not considered "available" revenues in the governmental funds.	( 6,357)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.	1,019
Accrued vacation and sick time expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	4,688
Internal service funds are used by management to charge the costs of certain activities, such as equipment rentals, to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities net of amount allocated to business-type activities and depreciation expense.	
Change in net assets	(\$42,474)
Net of amount allocated to business-type activities	2,128
Depreciation expense	41,393
	<u>1,047</u>
Change in net assets of governmental activities.	<u>\$ 54,575</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
February 28, 2006

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>ASSETS</u>			
Cash	\$ 33,749	\$ -	\$ 878,188
Accounts receivable	10,305	-	18,337
Due from other governmental units	-	23,058	84,258
Due from component unit	-	-	3,000
Due from other funds	584	-	1,896
Bond proceeds receivable	-	176,503	-
Restricted assets	182,757	-	33,092
Investments	-	-	186,292
Investment in joint venture	-	-	125,479
Investment in Baraga Village/ Keweenaw Bay Reservation	-	-	-
Waste Water Authority	-	5,354,751	-
Capital assets - net	<u>5,108,979</u>	<u>602</u>	<u>474,075</u>
TOTAL ASSETS	\$ <u>5,336,374</u>	\$ <u>5,554,914</u>	\$ <u>1,804,617</u>
<u>LIABILITIES</u>			
Cash overdraft	\$ -	\$ 20,500	\$ -
Accounts payable	7,172	26,482	104,513
Accrued expenses	20,168	20,078	448
Due to other funds	52,053	6,891	18,934
Payable from restricted assets - customer deposits	-	-	33,092
Noncurrent liabilities:			
Due within one year	44,500	125,000	-
Due in more than one year	<u>1,799,000</u>	<u>2,765,000</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>1,922,893</u>	\$ <u>2,963,951</u>	\$ <u>156,987</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 3,265,479	\$ 602	\$ 474,075
Restricted for debt service	182,757	-	-
Unrestricted	<u>(34,755)</u>	<u>2,590,361</u>	<u>1,173,555</u>
TOTAL NET ASSETS	\$ <u>3,413,481</u>	\$ <u>2,590,963</u>	\$ <u>1,647,630</u>

Reconciliation to government-wide statement of net assets -  
Adjustment to reflect the consolidation of Internal Service Fund's  
activities related to enterprise funds.

Net assets of business-type activities.

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 911,937	\$ 25,289
28,642	-
107,316	6,926
3,000	-
2,480	16,775
176,503	-
215,849	-
186,292	-
125,479	-
5,354,751	-
<u>5,583,656</u>	<u>172,871</u>
<u>\$12,695,905</u>	<u>\$ 221,861</u>
\$ 20,500	\$ -
138,167	5,072
40,694	136
77,878	4,312
33,092	-
169,500	-
<u>4,564,000</u>	<u>-</u>
<u>\$ 5,043,831</u>	<u>\$ 9,520</u>
\$ 3,740,156	\$ 172,871
182,757	-
<u>3,729,161</u>	<u>39,470</u>
<u>\$ 7,652,074</u>	<u><u>\$ 212,341</u></u>
( <u>10,679</u> )	
<u><u>\$ 7,641,395</u></u>	

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 Year ended February 28, 2006

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>OPERATING REVENUES</u>			
Utility services	\$ 409,838	\$ 130,841	\$ 1,652,659
Other	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	\$ 409,838	\$ 130,841	\$ 1,652,659
<u>OPERATING EXPENDITURES</u>			
Operating expenses -			
Less depreciation	\$ 343,387	\$ 132,346	\$ 1,016,996
Depreciation	<u>251,290</u>	<u>278</u>	<u>64,440</u>
TOTAL EXPENDITURES	\$ 594,677	\$ 132,624	\$ 1,081,436
OPERATING INCOME (LOSS)	(\$ 184,839)	(\$ 1,783)	\$ 571,223
<u>NON-OPERATING REVENUES</u>			
Interest income and other revenue	\$ 1,379	\$ -	\$ 42,259
<u>NON-OPERATING EXPENSES</u>			
Interest expense	\$ 90,116	\$ 19,568	\$ -
Loss from investments	<u>-</u>	<u>84,860</u>	<u>-</u>
TOTAL NON-OPERATING EXPENSES	\$ 90,116	\$ 104,428	\$ -
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(\$ 273,576)	(\$ 106,211)	\$ 613,482
Transfers in (out)	33,700	-	( 460,279)
Capital contributions	<u>-</u>	<u>150,000</u>	<u>-</u>
CHANGE IN NET ASSETS	(\$ 239,876)	\$ 43,789	\$ 153,203
Total net assets at beginning of year	<u>3,653,357</u>	<u>2,547,174</u>	<u>1,494,427</u>
Total net assets at end of year	\$ <u>3,413,481</u>	\$ <u>2,590,963</u>	\$ <u>1,647,630</u>

Amounts reported for business-type activities in the statement of activities are different because-

The net revenue (expense) of certain internal funds are reported with business-type activities.

Change in net assets of business-type activities.

The accompanying notes to financial statements are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$2,193,338	\$ -
<u>-</u>	<u>52,871</u>
<u>\$2,193,338</u>	<u>\$ 52,871</u>
\$1,492,729	\$ 53,952
<u>316,008</u>	<u>41,393</u>
<u>\$1,808,737</u>	<u>\$ 95,345</u>
<u>\$ 384,601</u>	<u>(\$ 42,474)</u>
<u>\$ 43,638</u>	<u>\$ -</u>
\$ 109,684	\$ -
<u>84,860</u>	<u>-</u>
<u>\$ 194,544</u>	<u>\$ -</u>
\$ 233,695	(\$ 42,474)
( 426,579)	-
<u>150,000</u>	<u>-</u>
(\$ 42,884)	(\$ 42,474)
	<u>254,815</u>
	<u><u>\$ 212,341</u></u>
( 2,128)	
<u><u>(\$ 45,012)</u></u>	

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
Year ended February 28, 2006

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$ 411,105	\$ 145,615	\$1,678,826
Payments to suppliers	( 195,776)	( 60,786)	( 929,751)
Payments to employees	( 135,873)	( 69,878)	( 59,651)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 79,456</u>	<u>\$ 14,951</u>	<u>\$ 689,424</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>			
<u>NONCAPITAL FINANCING ACTIVITIES</u>			
Transfers from other governmental units	\$ 33,700	\$ -	\$ -
Transfers to other funds	-	-	( 460,279)
CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>\$ 33,700</u>	<u>\$ -</u>	<u>(\$ 460,279)</u>
<u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL</u>			
<u>AND RELATED FINANCING ACTIVITIES</u>			
Restricted assets (increase) decrease	(\$ 24,782)	\$ -	(\$ 1,212)
Acquisition of property, plant, and equipment	-	-	( 89,457)
Payments on long-term debt	( 38,500)	-	-
Interest	( 87,350)	-	-
Bond proceeds	-	2,863,497	-
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(\$ 150,632)</u>	<u>\$2,863,497</u>	<u>(\$ 90,669)</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>			
<u>INVESTING ACTIVITIES</u>			
Due from other governmental units			
increase (decrease)	\$ -	\$ -	\$ 15,137
Interest received on investments	1,379	-	24,567
Investments (increase) decrease	-	( 2,863,493)	( 5,188)
Distributions from investments	-	-	17,692
Investment in joint venture			
(increase) decrease	-	-	( 12,310)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ 1,379</u>	<u>(\$2,863,493)</u>	<u>\$ 39,898</u>
NET INCREASE (DECREASE) IN CASH	<u>(\$ 36,097)</u>	<u>\$ 14,955</u>	<u>\$ 178,374</u>
Cash, beginning of year	<u>69,846</u>	<u>( 35,455)</u>	<u>699,814</u>
Cash, end of year	<u>\$ 33,749</u>	<u>(\$ 20,500)</u>	<u>\$ 878,188</u>

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Totals</u>	Governmental Activities - Internal Service <u>Fund</u>
\$2,235,546	\$ 54,712
( 1,186,313)	( 42,990)
( <u>265,402</u> )	( <u>8,942</u> )
 \$ 783,831	 \$ 2,780
 \$ 33,700	 \$ -
( <u>460,279</u> )	( <u>-</u> )
 (\$ <u>426,579</u> )	 \$ <u>-</u>
 (\$ 25,994)	 \$ -
( 89,457)	( 3,161)
( 38,500)	-
( 87,350)	-
<u>2,863,497</u>	<u>-</u>
 \$2,622,196	 (\$ <u>3,161</u> )
 \$ 15,137	 \$ -
25,946	\$ -
( 2,868,681)	-
17,692	-
( <u>12,310</u> )	( <u>-</u> )
 (\$2,822,216)	 \$ <u>-</u>
\$ 157,232	(\$ 381)
<u>734,205</u>	<u>25,670</u>
<u>\$ 891,437</u>	<u>\$ 25,289</u>

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (CONTINUED)  
 Year ended February 28, 2006

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>RECONCILIATION OF OPERATING INCOME</u>			
<u>(LOSS) TO NET CASH PROVIDED (USED)</u>			
<u>BY OPERATING ACTIVITIES</u>			
Operating income (loss)	(\$ 184,839)	(\$ 1,783)	\$ 571,223
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation	251,290	278	64,440
Changes in assets and liabilities:			
Accounts receivable			
(increase) decrease	1,267	-	4,576
Due from other funds			
(increase) decrease	-	5,975	5,242
Due from other governmental units			
(increase) decrease	-	8,799	-
Accounts payable increase (decrease)	( 1,506)	698	42,472
Accrued expenses increase (decrease)	1,192	510	448
Customer deposits increase (decrease)	-	-	1,212
Due to other funds			
increase (decrease)	<u>12,052</u>	<u>474</u>	<u>( 189)</u>
NET CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES	<u>\$ 79,456</u>	<u>\$ 14,951</u>	<u>\$ 689,424</u>

The accompanying notes to financial statements  
are an integral part of this statement.



<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 384,601	(\$ 42,474)
316,008	41,393
5,843	-
11,217	405
8,799	405
41,664	1,884
2,150	136
1,212	-
<u>12,337</u>	<u>1,031</u>
<u>\$ 783,831</u>	<u>\$ 2,780</u>

VILLAGE OF BARAGA, MICHIGAN  
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF NET ASSETS  
February 28, 2006

ASSETS

Cash	\$ 298,052
Prepaid expense	3,089
Due from other governmental units	-
Capital assets - net	<u>174,592</u>

TOTAL ASSETS      \$ 475,733

LIABILITIES

Due to primary government	\$ 3,050
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NET ASSETS

Unrestricted	<u>472,683</u>
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TOTAL NET ASSETS      \$ 475,733

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
 STATEMENT OF ACTIVITIES  
 Year ended February 28, 2006

		<u>Program Revenues</u>			<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
	<u>Expenses</u>				
Functions/Programs					
General government	\$ 23,327	\$ -	\$ -	\$ -	(\$ 23,327)
General revenues:					
Property taxes levied for general purposes					\$ -
Unrestricted investment earnings					1,651
Transfers					<u>29,042</u>
Total general revenues, special items, and transfers					<u>\$ 30,693</u>
Change in net assets					\$ 7,366
Net assets - beginning of year					<u>465,317</u>
Net assets - end of year					<u>\$472,683</u>

The accompanying notes to financial statements  
 are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
For the year ended February 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Baraga conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. Financial Reporting Entity

In accordance with the provisions of the Government Accounting Standards Board Statement No. 14 entitled "The Financial Reporting Entity", a governmental financial reporting entity consists of a primary government, such as a general purpose local government, and component units, which are defined as units for which the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of a component unit's governing body, and there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationships with the Village.

Blended Component Units

Village of Baraga Building Authority - The Village of Baraga Building Authority is a public corporation organized and existing under the authority of Act 31, Public Acts of Michigan 1948 and is governed by a three member board appointed by the Village Council. For financial reporting purposes, the Building Authority is reported as if it were part of the Village's operations because its purpose is to acquire and lease a municipal building to the Village. The assets of the Building Authority are presented in the General Fixed Asset Group of Accounts.

Discretely Presented Component Units

Village of Baraga Downtown Development Authority - The Village of Baraga Downtown Development Authority is an entity created by the Village of Baraga on October 22, 1984, pursuant to Public Act 197 of 1975 and is governed by a board appointed by the Village Council. For financial reporting purposes, the Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the Village.

Component Units Not Presented

Village of Baraga Housing Commission - The Village of Baraga Housing Commission is not included in the financial statements as explained in Note L.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
FINANCIAL REPORTING ENTITY (continued)

Jointly Governed Organizations

Upper Peninsula Public Power Agency - On June 9, 2003, the Village resolved to join the Upper Peninsula Public Power Agency (UPPPA), a Michigan municipal corporation organized under the Michigan Energy Employment Act of 1976. The UPPPA is a joint action agency, comprised of several municipalities in the Upper Peninsula of Michigan. The UPPPA was organized to invest in the American Transmission Company, a Wisconsin based entity, created by the Wisconsin legislature to own all electric transmission assets in the State of Wisconsin. The Village investment in the Agency is included in the Electric Fund's financial statements using the cost method of accounting.

Unaudited financial information for the joint venture as of December 31, 2005:

Total assets	<u>\$2,823,715</u>
Liabilities:	
Current liabilities	\$ -
Long-term liabilities	<u>-</u>
	\$ -
Total equity	<u>2,823,715</u>
	<u>\$2,823,715</u>
Total revenues	\$ 396,415
Total expenditures	<u>9,373</u>
INCREASE IN FUND EQUITY FROM OPERATIONS	\$ 387,042
Equity contributions	173,426
Equity distributions	( <u>387,665</u> )
TOTAL INCREASE IN FUND EQUITY	<u>\$ 172,803</u>

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods and services provided by one department or agency of the governmental unit to other departments or agencies of the governmental unit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (continued)

Account Groups:

General Fixed Asset Account Group - This account group presents property, plant, and equipment of the local unit utilized in its general operations.

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in the proprietary funds.

4. Basis of Accounting

Basis of Accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized when due.

Property taxes are levied on July 1. The Village collects its own property taxes until mid September at which time collection is turned over to Baraga County.

The tax rate to finance general government services for the year ended February 28, 2006, was \$8.8318 Per \$1000 of assessed valuation which computed to \$115,694 on the present taxable valuation of \$13,099,674. Also, an additional \$1.5714 per \$1000 of assessed valuation was levied for road improvements.

5. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 129.91.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown without an allowance for uncollectible amounts.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Interest has not been capitalized on fixed assets.

Property, plant, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Water and sewer lines	10-50 years
Roads	50 years
Other infrastructure	50 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-7 years

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds reported reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - NET ASSETS DEFICIT

An unrestricted net assets deficit of \$34,755 exists in the Water Fund. The deficit is the result of inefficiencies in the water system and repairs made to correct the inefficiencies made during the current year. Management is continuing to monitor the activity in the Water Fund to ensure that the deficit is eliminated in a timely manner.

NOTE C - CASH AND INVESTMENTS

At February 28, 2006, the Village of Baraga's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 391,179	\$ 911,937	\$1,303,116	\$ 298,052
Investments	-	186,292	186,292	-
Restricted assets	<u>-</u>	<u>215,849</u>	<u>215,849</u>	<u>-</u>
Total	<u>\$ 391,179</u>	<u>\$ 1,314,078</u>	<u>\$1,705,257</u>	<u>\$ 298,052</u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Carrying Amounts</u>		
	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Insured (FDIC)	\$1,498,210	\$ 298,052	\$1,796,262
Uninsured and Uncollateralized	<u>-</u>	<u>-</u>	<u>-</u>
Total Deposits	<u>\$1,498,210</u>	<u>\$ 298,052</u>	<u>\$1,796,262</u>
	<u>Bank Balances</u>		
Insured (FDIC)	\$1,840,073	\$ 298,052	\$2,138,125
Uninsured and Uncollateralized	<u>-</u>	<u>-</u>	<u>-</u>
Total Deposits	<u>\$1,840,073</u>	<u>\$ 298,052</u>	<u>\$2,138,125</u>

Deposits totalling \$215,849 are included with restricted assets. Included with cash was petty cash of \$255. Not included with cash was a cash overdraft of \$20,500 in the Sewer Fund .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy as required by Act 196 PA 1997 has been adopted by the Board. The Village's deposits and investments are in accordance with statutory authority. All of the Village's surplus funds are in bank savings accounts and certificates of deposit.

<u>Investment type</u>	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-categorized					
Cash equivalents	\$ 186,292	\$ -	\$ -	<u>\$186,292</u>	<u>\$182,676</u>

NOTE D - RECEIVABLES

Receivables as of February 28, 2006 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Taxes receivable	\$ 9,346	\$ 10,032	\$ -	\$ -
Accounts receivable	6,070	-	10,305	-
Long-term notes	-	1,127,634	-	-
Intergovernmental	-	8,837	-	199,561
Component unit	-	50	-	-
Total Receivables	<u>\$15,416</u>	<u>\$1,146,553</u>	<u>\$ 10,305</u>	<u>\$199,561</u>

	<u>Electric Fund</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ 19,378
Accounts receivable	18,337	-	34,712
Long-term notes	-	-	1,127,634
Intergovernmental	84,258	6,926	299,582
Component unit	3,000	-	3,050
Total Receivables	<u>\$105,595</u>	<u>\$ 6,926</u>	<u>\$1,484,356</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES (CONTINUED)

Notes receivable consist of:

Economic development loan to Gitchee Gumee, Inc. which is to be repaid in monthly installments of \$681 beginning in November of 1995 including interest computed at 6.5%	\$ 48,135
Economic development loan to Jerry Bugni of Lakeside Auto which is to be repaid in monthly installments of \$362.90 beginning in December of 1999 including interest computed at 7.0%	39,300
Small Cities funds loaned to Keweenaw Bay Developers Limited Partnership which is to be repaid in monthly installments of \$1,750 through September of 1989 at which time payments increased to \$2,326. Payments include interest computed at 7%	205,786
Urban Development Action Grant funds loaned to Keweenaw Bay Developers Limited Partnership which is to be repaid in monthly installments of \$1,814 beginning in October of 1992, including interest computed at 3%	179,256
Economic development loan to Van Straten Heated Tail Light Inc. which is to be repaid in monthly installments of \$253 beginning in November of 1992, including interest computed at 6%	3,678
Economic development loan to Sheryl A. and Richard J. Hosking which is to be repaid in monthly installments of \$162 beginning in January of 1995, including interest computed at 7%	16,368
Economic development loan to Harold E. and Shirley A. Mensch which is to be repaid in monthly installments of \$539 beginning in January of 1995, including interest computed at 7%	21,622
Economic development loan to Jerry Magnant and Kerry Varline which is to be repaid in monthly installments of \$674.12 including interest at 7.0%. The first installment was received in September of 1999	54,351
Economic development loan to Van Straten Brothers, Inc. which is to be repaid in monthly installments of \$1,331.90 including interest at 4.75%. The first installment was received in July of 2002	49,156
Economic development loan to James A. and Kristyn R. Gabe, and David A. and Brenda N. Meyers which is to be repaid in monthly installments of \$2,385.90 including interest at 7.0%. The first installment was received in June of 2001	172,142
Economic development loan to Larry's Market, Inc. which is to be repaid in monthly installments of \$1,048.48 including interest of 4.75%. The first installment was received in May of 2003	74,882
Economic development loan to H&H Cafe which is to be repaid in monthly installments of \$250.00 including interest at 4.75%	33,359
Economic development loan to Keweenaw Bay Motel Developers which is to be repaid in monthly installments of \$1,036.59 including interest at 4.75%. The first installment was received in May of 2005.	177,058
Economic development loan to Jerry Magnant and Kerry Varline which is to be repaid in monthly installments of \$449.41 including interest at 4.75%. The first installment was received in December of 2005.	49,956
Housing rehabilitation loans to 5 individuals which are to be repaid in monthly installments of \$245	2,585
	<u>\$1,127,634</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2006, was as follows:

	<u>Balance March 1</u>	<u>Additions</u>
Governmental activities:		
Capital assets not being depreciated:		
Land	\$ 121,651	\$ -
Capital assets being depreciated:		
Buildings	\$ 832,092	\$ -
Improvements	1,521,413	-
Equipment	1,104,509	18,076
Infrastructure	<u>40,111</u>	<u>-</u>
Total capital assets being depreciated	\$ 3,498,125	\$ 18,076
Less accumulated depreciation for:		
Buildings	\$ 213,443	\$ 17,276
Improvements	491,666	39,333
Equipment	880,340	85,272
Infrastructure	<u>4,760</u>	<u>802</u>
Total accumulated depreciation	\$ 1,590,209	\$ 142,683
Total capital assets being depreciated, net	\$ 1,907,916	(\$ 124,607)
Governmental activities capital assets, net	<u>\$ 2,029,567</u>	<u>(\$ 124,607)</u>
Business-type activities:		
Capital assets being depreciated:		
Equipment	\$ 85,328	\$ 2,760
Infrastructure	<u>8,429,518</u>	<u>86,697</u>
Total capital assets being depreciated	\$ 8,514,846	\$ 89,457
Less accumulated depreciation for:		
Equipment	\$ 62,918	\$ 5,535
Infrastructure	<u>2,641,721</u>	<u>310,473</u>
Total accumulated depreciation	\$ 2,704,639	\$ 316,008
Total capital assets being depreciated, net	\$ 5,810,207	(\$ 226,551)
Business-type activities capital assets, net	<u>\$ 5,810,207</u>	<u>(\$ 226,551)</u>
Component unit activities -		
Capital assets not being depreciated - Land	\$ 19,418	\$ 34,823
Capital assets being depreciated - Infrastructure	\$ -	\$ 121,567
Less accumulated depreciation for - Infrastructure	<u>-</u>	<u>1,216</u>
Total capital assets being depreciated, net	\$ -	\$ 120,351
Component unit activities capital assets, net	<u>\$ 19,418</u>	<u>\$ 155,174</u>

<u>Retirements</u>	<u>Balance February 28</u>
\$ -	\$ 121,651
\$ -	\$ 832,092
-	1,521,413
-	1,122,585
-	40,111
\$ -	\$ 3,516,201
\$ -	\$ 230,719
-	530,999
-	965,612
-	5,562
\$ -	\$ 1,732,892
\$ -	\$ 1,783,309
\$ -	\$ 1,904,960
\$ -	\$ 88,088
-	8,516,215
\$ -	\$ 8,604,303
\$ -	\$ 68,453
-	2,952,194
\$ -	\$ 3,020,647
\$ -	\$ 5,583,656
\$ -	\$ 5,583,656
\$ -	\$ 54,241
\$ -	\$ 121,567
-	1,216
\$ -	\$ 120,351
\$ -	\$ 174,592

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities -	
Public works	<u>\$ 142,683</u>
Business-type activities:	
Water	\$ 251,290
Sewer	278
Electric	<u>64,440</u>
Total depreciation expense-Business-type activities	<u>\$ 316,008</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at February 28, 2006, consisted of:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 78,790	Motor Vehicle	\$ 3,727
		Water	51,186
		Revolving	4,278
		Local Street	10,557
		Major Street	8,568
		Sewer	<u>474</u>
Subtotal	<u>\$ 78,790</u>	Subtotal	<u>\$ 78,790</u>
Motor Vehicle Equipment	\$ 16,775	Sewer	\$ 6,417
		Waterfront	838
		Local Street	5,241
		Major Street	1,995
		Electric	<u>2,284</u>
Subtotal	<u>\$ 16,775</u>	Subtotal	<u>\$ 16,775</u>
Waterfront	\$ 14,144	General	\$ 3,694
		Electric	<u>10,450</u>
Subtotal	<u>\$ 14,144</u>	Subtotal	<u>\$ 14,144</u>
Local Street	\$ 8,200	Electric	\$ 4,200
		Road	<u>4,000</u>
Subtotal	<u>\$ 8,200</u>	Subtotal	<u>\$ 8,200</u>
Road	\$ 12,076	General	\$ 10,076
		Electric	<u>2,000</u>
Subtotal	<u>\$ 12,076</u>	Subtotal	<u>\$ 12,076</u>
Water	\$ 584	Motor Vehicle	\$ 584
Electric	\$ 1,896	General	\$ 1,029
		Water	<u>867</u>
Subtotal	<u>\$ 1,896</u>	Subtotal	<u>\$ 1,896</u>
Total	<u>\$ 132,465</u>	Total	<u>\$ 132,465</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The amounts of receivables and payables between primary government and component units at February 28, 2006 are as follows:

<u>Component Unit</u>	<u>Receivable from Primary Government</u>	<u>Payable to Primary Government</u>	<u>Fund</u>	<u>Receivable from Component Unit</u>	<u>Payable to Component Unit</u>
DDA - General	\$ -	\$ 3,050	Electric Revolving	\$ 3,000 50	\$ - -
Total	<u>\$ -</u>	<u>\$ 3,050</u>	Total	<u>\$ 3,050</u>	<u>\$ -</u>

NOTE G - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. Installment purchase agreements are general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

At February 28, 2006 bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business Type</u>
Water system improvement revenue bonds (denomination of \$1,000 each, \$360,000 original issue) dated January 1, 1971, mature annually on January 1 of each year through January 1, 2009. Interest is payable on January 1 and July 1 of each year at a rate of 4.75% per annum.	\$ -	\$ 50,000
2002 KBIC Industrial Park water supply system revenue bonds (\$326,000 original issue) dated October 7, 2002, payable in annual installments on October 1 of each year through October 1, 2042. Interest is payable on April 1 and October 1 of each year at a rate of 4.625% per annum.	-	317,000
Water system improvement revenue bonds (denomination of \$1,000 each, \$600,000 original issue) dated August 14, 1997, mature annually on November 1 of each year through November 1, 2027. Interest is payable on May 1 and November 1 of each year.	-	520,000
Water supply system junior lien bonds, series 2003A (\$639,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum.	-	627,000
Water supply system junior lien bonds, series 2003B (\$336,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum.	-	329,500
Wastewater improvement bonds, series 2005, (\$2,890,000 original issue) dated June 23, 2005, payable in annual installments on October 1 of each year through October 1, 2025. Interest is payable on April 1 and October 1 of each year at a rate of 1.625% per annum.	<u>-</u>	<u>2,890,000</u>
Total bonds payable	<u>\$ -</u>	<u>\$4,733,500</u>
<u>Installment Purchase Agreements</u>		
PUMA fire truck with payments annually on October 18, of \$41,307 including interest through October 18, 2007 with interest at 2% per annum, financed through Superior National Bank and Trust Co.	\$ 77,144	\$ -
Pumper fire truck with payments annually on July 12 of \$16,241 including interest through July 12, 2006 and a balloon payment of \$87,143 on July 12, 2007 with interest at 4.7% per annum, financed through Superior National Bank and Trust Co.	<u>95,011</u>	<u>-</u>
Total installment purchase agreements	<u>\$ 172,155</u>	<u>\$ -</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of February 28, 2006, are as follows:

Year Ending February 28,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 49,458	\$ 8,090	\$ 169,500	\$ 132,511
2008	122,697	5,753	170,500	128,407
2009	-	-	177,000	124,248
2010	-	-	161,000	119,944
2011	-	-	161,500	116,401
2012	-	-	166,500	112,808
2013	-	-	167,500	109,111
2014	-	-	178,000	105,387
2015	-	-	180,000	101,272
2016	-	-	185,500	97,066
2017	-	-	186,500	92,742
2018	-	-	192,000	88,375
2019	-	-	199,000	83,700
2020	-	-	199,000	78,867
2021-2043	-	-	2,240,000	747,858
	<u>\$ 172,155</u>	<u>\$ 13,843</u>	<u>\$ 4,733,500</u>	<u>\$ 2,238,697</u>

The Long-term Debt Group of Accounts also includes the long-term portion of employee compensated absences, totalling \$38,405, and the related employer's portion of FICA tax of \$2,938.

The individual long-term debt and other general long-term obligations of the Village and the changes therein, may be summarized as follows:

	<u>Balance</u> <u>02-28-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>02-28-06</u>
<u>ENTERPRISE FUNDS</u>				
<u>REVENUE BONDS</u>				
Water system improvement revenue bonds (1971)	\$ 66,000	\$ -	\$ 16,000	\$ 50,000
KBIC Industrial Park water supply system revenue bonds (2002)	320,000	-	3,000	317,000
Water system improvement revenue bonds (1997)	530,000	-	10,000	520,000
Water supply system junior lien bond, series 2003A	633,000	-	6,000	627,000
Water supply system junior line bond, series 2003B	333,000	-	3,500	329,500
Wastewater improvement bonds, Series 2005	-	2,890,000	-	2,890,000
	<u>\$1,882,000</u>	<u>\$2,890,000</u>	<u>\$ 38,500</u>	<u>\$4,733,500</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

	<u>Balance</u> <u>02-28-05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>02-28-06</u>
<u>LONG-TERM DEBT GROUP</u>				
<u>OF ACCOUNTS</u>				
INSTALLMENT PURCHASE				
CONTRACTS				
Puma fire truck	\$ 113,134	\$ -	\$ 35,990	\$ 77,144
Pumper fire truck	<u>106,258</u>	<u>-</u>	<u>11,247</u>	<u>95,011</u>
	<u>\$ 219,392</u>	<u>\$ -</u>	<u>\$ 47,237</u>	<u>\$ 172,155</u>

Water system improvement revenue bonds (denomination of \$1,000 each, \$360,000 original issue) dated January 1, 1971, mature annually on January 1 of each year through January 1, 2009. Interest is payable on January 1 and July 1 of each year at a rate of 4.75% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>July 1</u>	<u>Interest</u> <u>January 1</u>	<u>Principal</u> <u>January 1</u>	<u>Total</u>
2007	\$ 1,188	\$ 1,187	\$ 16,000	\$ 18,375
2008	808	807	17,000	18,615
2009	<u>404</u>	<u>404</u>	<u>17,000</u>	<u>17,808</u>
Totals	<u>\$ 2,400</u>	<u>\$ 2,398</u>	<u>\$ 50,000</u>	<u>\$ 54,798</u>

Ordinance Number 107 requires that a bond reserve account be established and maintained at a \$22,000 level. The Village has complied with this requirement as there is \$37,810 in this account at February 28, 2006.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND

2002 KBIC Industrial Park Water Supply System Revenue Bond (\$326,000 original issue) dated October 7, 2002, payable in annual installments on October 1 of each year through October 1, 2042. Interest is payable on April 1 and October 1 of each year at a rate of 4.625% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>April 1</u>	<u>Interest</u> <u>October 1</u>	<u>Principal</u> <u>October 1</u>	<u>Total</u>
2007	\$ 7,331	\$ 7,331	\$ 3,000	\$ 17,662
2008	7,261	7,261	3,000	17,522
2009	7,192	7,192	4,000	18,384
2010	7,099	7,099	4,000	18,198
2011	7,007	7,007	4,000	18,014
2012	6,914	6,914	4,000	17,828
2013	6,822	6,822	4,000	17,644
2014	6,729	6,729	4,000	17,458
2015	6,637	6,637	5,000	18,274
2016	6,521	6,521	5,000	18,042
2017	6,406	6,406	5,000	17,812
2018	6,290	6,290	5,000	17,580
2019	6,174	6,174	6,000	18,348
2020	6,036	6,036	6,000	18,072
2021	5,897	5,897	6,000	17,794
2022	5,758	5,758	6,000	17,516
2023	5,619	5,619	7,000	18,238
2024	5,458	5,458	7,000	17,916
2025	5,296	5,296	8,000	18,592
2026	5,111	5,111	8,000	18,222
2027	4,926	4,926	8,000	17,852
2028	4,741	4,471	9,000	18,482
2029	4,533	4,533	9,000	18,066
2030	4,324	4,324	10,000	18,648
2031	4,093	4,093	10,000	18,186
2032	3,862	3,862	11,000	18,724
2033	3,608	3,608	11,000	18,216
2034	3,353	3,353	12,000	18,706
2035	3,076	3,076	12,000	18,152
2036	2,798	2,798	13,000	18,596
2037	2,498	2,498	13,000	17,996
2038	2,197	2,197	14,000	18,394
2039	1,873	1,873	15,000	18,746
2040	1,526	1,526	15,000	18,052
2041	1,179	1,179	16,000	18,358
2042	809	809	17,000	18,618
2043	416	416	18,000	18,832
	<u>\$177,370</u>	<u>\$ 177,370</u>	<u>\$ 317,000</u>	<u>\$ 671,740</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND (CONTINUED)

Principal installments of this bond are subject to prepayment prior to maturity, at the issuer's option, on any interest payment date on or after October 1, 2003, at par and accrued interest to the date fixed for prepayment.

Ordinance Number 194 requires that a bond reserve account be established and maintained. The Ordinance requires, at the beginning of each fiscal year quarter, that at least \$475 be transferred to the bond reserve account until the sum of \$19,000 has been deposited therein. The Village has complied with this requirement as there is \$25,367 in these accounts at February 28, 2006.

WATER SYSTEM IMPROVEMENT REVENUE BONDS PAYABLE

Water System Improvement revenue bonds (denomination of \$1,000 each, \$600,000 original issue) dated August 14, 1997, mature annually on November 1 of each year through November 1, 2027. Interest is payable on May 1 and November 1 of each year. Scheduled payments of principal, interest and interest rates are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>Rate</u> <u>%</u>	<u>Interest</u> <u>May 1</u>	<u>Interest</u> <u>November 1</u>	<u>Principal</u> <u>November 1</u>	<u>Total</u>
2007	4.85	\$ 14,041	\$ 14,041	\$ 15,000	\$ 43,082
2008	4.9	13,678	13,678	15,000	42,356
2009	4.95	13,310	13,310	15,000	41,620
2010	5.05	12,939	12,939	15,000	40,878
2011	5.15	12,560	12,560	15,000	40,120
2012	5.25	12,174	12,174	15,000	39,348
2013	5.3	11,780	11,780	15,000	38,560
2014	5.35	11,383	11,383	20,000	42,766
2015	5.4	10,848	10,848	20,000	41,696
2016	5.45	10,308	10,307	20,000	40,615
2017	5.5	9,763	9,762	20,000	39,525
2018	5.5	9,213	9,212	25,000	43,425
2019	5.5	8,525	8,525	25,000	42,050
2020	5.5	7,838	7,837	25,000	40,675
2021	5.5	7,150	7,150	25,000	39,300
2022	5.5	6,463	6,462	30,000	42,925
2023	5.5	5,638	5,637	30,000	41,275
2024	5.5	4,813	4,812	30,000	39,625
2025	5.5	3,988	3,987	35,000	42,975
2026	5.5	3,025	3,025	35,000	41,050
2027	5.5	2,063	2,062	35,000	39,125
2028	5.5	<u>1,100</u>	<u>1,100</u>	<u>40,000</u>	<u>42,200</u>
Totals		<u>\$192,600</u>	<u>\$ 192,591</u>	<u>\$ 520,000</u>	<u>\$ 905,191</u>

Ordinance Number 180 requires that bond reserve accounts be established and maintained at a \$42,000 level. The Village has complied with this requirement as there is \$61,001 in these accounts at February 28, 2006.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003A

Water Supply System Junior Lien Revenue Bond, Series 2003A (\$639,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>July 1</u>	<u>Principal</u> <u>July 1</u>	<u>Interest</u> <u>January 1</u>	<u>Total</u>
2007	\$ 13,324	\$ 7,000	\$ 13,175	\$ 33,499
2008	13,175	7,000	13,026	33,201
2009	13,026	7,000	12,878	32,904
2010	12,878	7,000	12,729	32,607
2011	12,729	8,000	12,559	33,288
2012	12,559	8,000	12,389	32,948
2013	12,389	8,000	12,219	32,608
2014	12,219	9,000	12,028	33,247
2015	12,028	9,000	11,836	32,864
2016	11,836	10,000	11,624	33,460
2017	11,624	10,000	11,411	33,035
2018	11,411	11,000	11,178	33,589
2019	11,178	11,000	10,944	33,122
2020	10,944	12,000	10,689	33,633
2021	10,689	12,000	10,434	33,123
2022	10,434	13,000	10,158	33,592
2023	10,158	13,000	9,881	33,039
2024	9,881	14,000	9,584	33,465
2025	9,584	14,000	9,286	32,870
2026	9,286	15,000	8,968	33,254
2027	8,968	16,000	8,628	33,596
2028	8,628	16,000	8,288	32,916
2029	8,288	17,000	7,926	33,214
2030	7,926	18,000	7,544	33,470
2031	7,544	19,000	7,140	33,684
2032	7,140	20,000	6,715	33,855
2033	6,715	21,000	6,269	33,984
2034	6,269	21,000	5,822	33,091
2035	5,823	22,000	5,355	33,178
2036	5,355	23,000	4,866	33,221
2037	4,866	24,000	4,356	33,222
2038	4,356	26,000	3,804	34,160
2039	3,804	27,000	3,230	34,034
2040	3,230	28,000	2,635	33,865
2041	2,635	29,000	2,019	33,654
2042	2,019	30,000	1,381	33,400
2043	1,381	32,000	701	34,082
2044	701	33,000	-	33,701
	<u>\$327,000</u>	<u>\$ 627,000</u>	<u>\$ 313,675</u>	<u>\$1,267,675</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003B

Water Supply System Junior Lien Revenue Bond, Series 2003B (\$336,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>July 1</u>	<u>Principal</u> <u>July 1</u>	<u>Interest</u> <u>January 1</u>	<u>Total</u>
2007	\$ 7,003	\$ 3,500	\$ 6,928	\$ 17,431
2008	6,928	3,500	6,853	17,281
2009	6,853	3,500	6,779	17,132
2010	6,779	4,000	6,694	17,473
2011	6,694	4,000	6,609	17,303
2012	6,609	4,500	6,513	17,622
2013	6,513	4,500	6,418	17,431
2014	6,418	4,500	6,322	17,240
2015	6,322	5,000	6,216	17,538
2016	6,216	5,000	6,109	17,325
2017	6,109	5,500	5,993	17,602
2018	5,993	5,500	5,876	17,369
2019	5,876	6,000	5,748	17,624
2020	5,748	6,000	5,621	17,369
2021	5,621	6,500	5,483	17,604
2022	5,483	6,500	5,344	17,327
2023	5,344	7,000	5,196	17,540
2024	5,196	7,500	5,036	17,732
2025	5,036	7,500	4,877	17,413
2026	4,877	8,000	4,707	17,584
2027	4,707	8,500	4,526	17,733
2028	4,526	8,500	4,346	17,372
2029	4,346	9,000	4,154	17,500
2030	4,154	9,500	3,953	17,607
2031	3,953	10,000	3,740	17,693
2032	3,740	10,500	3,517	17,757
2033	3,517	11,000	3,283	17,800
2034	3,283	11,500	3,039	17,822
2035	3,039	12,000	2,784	17,823
2036	2,784	12,500	2,518	17,802
2037	2,518	13,000	2,242	17,760
2038	2,242	13,500	1,955	17,697
2039	1,955	14,000	1,658	17,613
2040	1,658	14,500	1,349	17,507
2041	1,349	15,500	1,020	17,869
2042	1,020	16,000	680	17,700
2043	680	17,000	319	17,999
2044	319	15,000	-	15,319
	<u>\$171,408</u>	<u>\$ 329,500</u>	<u>\$ 164,405</u>	<u>\$ 665,313</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WASTEWATER IMPROVEMENT BONDS, SERIES 2005

Wastewater improvement bonds (\$2,890,000 original issue) dated June 23, 2005, payable in annual installments on October 1 of each year through October 1, 2025. Interest is payable on April 1 and October 1 of each year at a rate of 1.625% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal Year Ending February</u>	<u>Interest April 1</u>	<u>Interest October 1</u>	<u>Principal October 1</u>	<u>Total</u>
2007	\$ 23,481	\$ 23,481	\$ 125,000	\$ 171,962
2008	22,466	22,466	125,000	169,932
2009	21,450	21,450	130,000	172,900
2010	20,394	20,394	130,000	170,788
2011	19,338	19,338	130,000	168,676
2012	18,281	18,281	135,000	171,562
2013	17,184	17,184	135,000	169,368
2014	16,088	16,088	140,000	172,176
2015	14,950	14,950	140,000	169,900
2016	13,812	13,812	145,000	172,624
2017	12,634	12,634	145,000	170,268
2018	11,456	11,456	145,000	167,912
2019	10,278	10,278	150,000	170,556
2020	9,059	9,059	150,000	168,118
2021	7,841	7,841	155,000	170,682
2022	6,581	6,581	155,000	168,162
2023	5,322	5,322	160,000	170,644
2024	4,022	4,022	160,000	168,044
2025	2,722	2,722	165,000	170,444
2026	1,381	1,381	170,000	172,762
	<u>\$258,740</u>	<u>\$ 258,740</u>	<u>\$2,890,000</u>	<u>\$3,407,480</u>

PUMA FIRE TRUCK INSTALLMENT AGREEMENT

Installment agreement (\$180,332 issued and \$77,144 outstanding) dated October 18, 2002, matures annually on October 18, 2006 through October 18, 2007 with interest at 2.00% per annum.

<u>Due Year Ended February 28,</u>	<u>October 18,</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$ 37,682	\$ 3,625	\$ 41,307
2008	39,462	1,845	41,307
	<u>\$ 77,144</u>	<u>\$ 5,470</u>	<u>\$ 82,614</u>

PUMPER FIRE TRUCK INSTALLMENT AGREEMENT

Installment agreement (\$127,256 issued and \$95,011 outstanding) dated July 12, 2002, matures annually on July 12, 2006 through July 12, 2008 and balance due July 12, 2007 with interest at 4.70% per annum.

<u>Due Year Ended February 28,</u>	<u>July 12,</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$ 11,776	\$ 4,465	\$ 16,241
2008	83,235	3,908	87,143
	<u>\$ 95,011</u>	<u>\$ 8,373</u>	<u>\$ 103,384</u>

NOTE H - SEGMENT INFORMATION

Generally accepted accounting principles require disclosures of segment information for certain individual Enterprise Funds. The Village maintains three Enterprise Funds: the Water Fund, to account for the provision of water to the residents of the Village; the Sewer Fund, to administer the operations of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority; and the Electric Fund, to account for the provision of electricity to the residents of the Village.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - SEGMENT INFORMATION (CONTINUED)

	<u>Water Fund</u>	<u>Sewer Fund</u>
<u>CONDENSED STATEMENT OF NET ASSETS</u>		
Assets:		
Current assets	\$ 44,054	\$ 199,561
Due from component unit	-	-
Interfund receivable	584	-
Capital assets	5,108,979	602
Other assets	<u>182,757</u>	<u>5,354,751</u>
Total assets	<u>\$5,336,374</u>	<u>\$5,554,914</u>
Liabilities:		
Interfund payables	\$ 52,053	\$ 6,891
Other current liabilities	71,840	192,060
Noncurrent liabilities	<u>1,799,000</u>	<u>2,765,000</u>
Total liabilities	<u>\$1,922,893</u>	<u>\$2,963,951</u>
Net assets:		
Invested in capital assets, net of related debt	\$3,265,479	\$ 602
Restricted for debt service	182,757	-
Unrestricted	<u>( 34,755)</u>	<u>2,590,361</u>
Total net assets	<u>\$3,413,481</u>	<u>\$2,590,963</u>
<u>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</u>		
Operating revenues	\$ 409,838	\$ 130,841
Depreciation expense	( 251,290)	( 278)
Other operating expenses	<u>( 343,387)</u>	<u>( 132,346)</u>
Operating income	(\$ 184,839)	(\$ 1,783)
Nonoperating revenues (expenses):		
Investment income (loss)	1,379	( 84,860)
Interest expense	( 90,116)	( 19,568)
Transfers in (out)	33,700	-
Capital contribution	<u>-</u>	<u>150,000</u>
Change in net assets	(\$ 239,876)	\$ 43,789
Beginning net assets	<u>3,653,357</u>	<u>2,547,174</u>
Ending net assets	<u>\$3,413,481</u>	<u>\$2,590,963</u>
<u>CONDENSED STATEMENT OF CASH FLOWS</u>		
Net cash provided (used) by:		
Operating activities	\$ 79,456	\$ 14,951
Noncapital financing activities	33,700	-
Capital and related financing activities	( 150,632)	2,863,497
Investing activities	<u>1,379</u>	<u>( 2,863,493)</u>
Net increase (decrease)	(\$ 36,097)	\$ 14,955
Beginning cash and cash equivalents	<u>69,846</u>	<u>( 35,455)</u>
Ending cash and cash equivalents	<u>\$ 33,749</u>	<u>(\$ 20,500)</u>



<u>Electric Fund</u>	<u>Total Enterprise Fund</u>
\$1,208,296	\$ 1,451,911
3,000	3,000
1,896	2,480
474,075	5,583,656
<u>117,350</u>	<u>5,654,858</u>
<u>\$1,804,617</u>	<u>\$12,695,905</u>
\$ 18,934	\$ 77,878
138,053	401,953
<u>-</u>	<u>4,564,000</u>
<u>\$ 156,987</u>	<u>\$ 5,043,831</u>
\$ 474,075	\$ 3,740,156
-	182,757
<u>1,173,555</u>	<u>3,729,161</u>
<u>\$1,647,630</u>	<u>\$ 7,652,074</u>
\$1,652,659	\$ 2,193,338
( 64,440)	( 316,008)
<u>( 1,016,996)</u>	<u>( 1,492,729)</u>
\$ 571,223	\$ 384,601
42,259	( 41,222)
-	( 109,684)
( 460,279)	( 426,579)
<u>-</u>	<u>150,000</u>
\$ 153,203	(\$ 42,884)
<u>1,494,427</u>	<u>7,694,958</u>
<u>\$1,647,630</u>	<u>\$ 7,652,074</u>
\$ 689,424	\$ 783,831
( 460,279)	( 426,579)
( 90,669)	2,622,196
<u>39,898</u>	<u>( 2,822,216)</u>
\$ 178,374	\$ 157,232
699,814	734,205
<u>\$ 878,188</u>	<u>\$ 891,437</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - INVESTMENT IN BARAGA VILLAGE/KEWEENAW BAY  
RESERVATION WASTE WATER AUTHORITY

The Village of Baraga and the Keweenaw Bay Indian Community entered into an agreement on September 27, 1995 for the purpose of creating the Baraga Village/Keweenaw Bay Reservation Waste Water Authority Board. The Board shall own, operate and maintain a joint waste water treatment facility and associated system components. The Keweenaw Bay Indian Community and the Village of Baraga shall be equal partners in and shall jointly operate the Waste Water System. The Board shall employ the Village of Baraga as System Operator to operate and maintain the System and shall pay the Village for such services.

The Village utilizes the equity method of accounting for the activity in its investment in the facility. Under the equity method the investment is adjusted for any additional capital investments made and it's proportionate share of the facility's results of operations.

On September 1, 1996, the following assets and liabilities of the Village of Baraga were transferred to the Authority:

Property, plant, and equipment	\$6,066,181
Accumulated depreciation	( 1,223,556)
Allowance for doubtful accounts	( 2,498)
Accounts payable	( 67,247)
Accrued interest	( 6,334)
Revenue bonds payable	( 1,373,000)
NET INVESTMENT	<u>\$3,393,546</u>

Baraga Village/Keweenaw Bay Reservation Waste Water Authority issues separate financial statements available from the Village's office.

A summary of condensed financial information as of February 28, 2006, for the Board, in the aggregate is as follows:

Assets	\$6,288,726
Liabilities	161,983
Net assets	6,140,346
Revenues	293,338
Expenses	361,781
Other income (expenses)	218,107
Capital contributions	2,889,008
Change in net assets	2,844,128
Depreciation on property, plant and equipment contributed by the Village and Community	150,309
Village's share of increase (decrease) in net assets	3,030,340
Village's share of depreciation on fixed assets contributed	121,750

Included in expenses above is \$130,841 paid to the Village for services provided for the Board.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - RETIREMENT PLAN

The Village contributes to the Michigan Municipal Employees Retirement System, an agent multiple-employer public employees retirement system that acts as a common investment and administrative agent for all Michigan municipal employees.

The qualified employees includes all full time employees of the Village with the exception of the Village Manager. Benefits vest after ten years of service. Village employees who retire at or after the age of 55 with 15 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the sum of 2.25% of final average compensation. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and Village ordinance.

Village employees are not required to contribute to the plan. The Village contributes to the plan quarterly based on actuarial calculated contributions.

Contributions were made in accordance with actuarially determined contribution requirements.

As of December 31, 2005, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	6
Inactive vested members	2
Active plan participants:	
Active members - vested	10
Active members - nonvested	<u>0</u>
Total	<u>18</u>

Funding Status and Progress

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - RETIREMENT PLAN (CONTINUED)

GASB INFORMATION (as of 12/31/05)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$1,180,435
Terminated employees not yet receiving benefits	31,424
Current employees -	
Accumulated employee contributions including allocated investment income	-
Employer financed	<u>1,014,277</u>
Total Actuarial Accrued Liability	\$2,226,136
Net Assets Available for Benefits at Actuarial Value	<u>1,389,104</u>
(Market Value is \$1,916,448)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$ 837,032

GASB 27 INFORMATION (as of 12/31/05)

Fiscal Year Beginning	March 1, 2007
Annual Required Contribution (ARC)	\$ 103,512
Amortization Factor Used	0.053632

Additional information pertaining to the pension plan can be obtained from the Village's annual actuarial valuation report.

NOTE K - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains insurance coverage through the Michigan Municipal League which covers each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this coverage in any of the past three years.

NOTE L - BARAGA HOUSING COMMISSION

The financial statements of the Village of Baraga Housing Commission are not included in the general purpose financial statements of the Village of Baraga for the following reasons:

1. The Village does not approve budgets or budget amendments.
2. The Village is not responsible for fund deficits and does not receive any fund surplus.
3. The Village does not provide significant financial support.
4. The Village does not have significant fiscal management responsibilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - BARAGA HOUSING COMMISSION (CONTINUED)

The financial statements of the Village of Baraga Housing Commission are audited annually as a requirement of the Department of Housing and Urban Development. A summary of the audited financial information as of June 30, 2005, is as follows:

Total Assets	<u>\$1,039,787</u>
Total liabilities	<u>\$ 54,539</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 834,427
Unrestricted	<u>150,821</u>
NET ASSETS	<u>\$ 985,248</u>
Revenues	\$ 289,829
Expenses	<u>406,850</u>
Change in net assets	(\$ 117,021)
Net assets, beginning of year	<u>1,102,269</u>
Net assets, end of year	<u>\$ 985,248</u>

NOTE M - CONTINGENT LIABILITIES

An audit performed by the United States Environmental Protection Agency dated August 14, 1997 is requesting the Village to reimburse the federal government \$26,838 for ineligible construction costs from the Water Fund. Village officials are still reviewing the computation and no determination has been made whether to appeal the audit or pay the requested amount. No liability has been recorded in the financial statements for the year ended February 28, 2006.

From October 2005 through May 2006, due to a mechanical malfunction of an electric meter, the Village was significantly undercharged for the power purchased during that period. The Village's liability for the power used through February 28, 2006, has not yet been determined but could range up to \$228,000. The amount due could be significantly less, depending upon the interpretation of the Village's contract with their power supplier. No liability has been recorded in the financial statements as of February 28, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BARAGA, MICHIGAN  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 161,800	\$ 161,800	\$ 140,067	(\$ 21,733)
State grants	151,500	151,500	144,608	( 6,892)
Keweenaw Bay Indian Community	20,000	20,000	-	( 20,000)
Service charges	8,000	8,000	9,866	1,866
Other revenues	<u>271,900</u>	<u>271,900</u>	<u>376,103</u>	<u>104,203</u>
TOTAL REVENUES	<u>\$ 613,200</u>	<u>\$ 613,200</u>	<u>\$ 670,644</u>	<u>\$ 57,444</u>
Expenditures:				
General government administration	\$ 144,600	\$ 144,600	\$ 122,763	\$ 21,837
Public safety	178,100	178,100	180,084	( 1,984)
Public works	116,800	116,800	106,122	10,678
Health and welfare	18,500	18,500	20,303	( 1,803)
Culture and recreation	24,100	24,100	16,279	7,821
Debt service	65,000	65,000	57,549	7,451
Other expenditures	<u>529,900</u>	<u>529,900</u>	<u>518,291</u>	<u>11,609</u>
TOTAL EXPENDITURES	<u>\$1,077,000</u>	<u>\$1,077,000</u>	<u>\$1,021,391</u>	<u>\$ 55,609</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 463,800)</u>	<u>(\$ 463,800)</u>	<u>(\$ 350,747)</u>	<u>\$ 113,053</u>
Other financing sources (uses):				
Operating transfers in	\$ 523,800	\$ 523,800	\$ 459,000	(\$ 64,800)
Operating transfers out	<u>( 60,000)</u>	<u>( 60,000)</u>	<u>( 41,636)</u>	<u>18,364</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 463,800</u>	<u>\$ 463,800</u>	<u>\$ 417,364</u>	<u>(\$ 46,436)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,617</u>	<u>\$ 66,617</u>
Fund balance, beginning of year	<u>77,156</u>	<u>77,156</u>	<u>77,156</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 77,156</u></u>	<u><u>\$ 77,156</u></u>	<u><u>\$ 143,773</u></u>	<u><u>\$ 66,617</u></u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
 MAJOR STREET FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the year ended February 28, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
State grants	\$ 65,400	\$ 65,400	\$ 82,382	\$ 16,982
Expenditures:				
General government administration	\$ 16,700	\$ 16,700	\$ 6,315	\$ 10,385
Public works:				
Construction	5,000	5,000	-	5,000
Surface maintenance	35,200	35,200	40,739	( 5,539)
Traffic services	1,300	1,300	828	472
Winter maintenance	27,000	27,000	20,648	6,352
TOTAL EXPENDITURES	\$ 85,200	\$ 85,200	\$ 68,530	(\$ 16,670)
EXCESS OF REVENUES (EXPENDITURES)	(\$ 19,800)	(\$ 19,800)	\$ 13,852	\$ 33,652
Other financing sources (uses) -				
Operating transfers in (out)	19,800	19,800	( 5,200)	( 25,000)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 8,652	\$ 8,652
Fund balance, beginning of year	27,464	27,464	27,464	-
FUND BALANCE, END OF YEAR	<u>\$ 27,464</u>	<u>\$ 27,464</u>	<u>\$ 36,116</u>	<u>\$ 8,652</u>

See accompanying note to budgetary comparison schedules.



VILLAGE OF BARAGA, MICHIGAN  
 LOCAL STREET FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the year ended February 28, 2006

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues -				
State grants	\$ 30,400	\$ 30,400	\$ 33,980	\$ 3,580
Expenditures:				
General government administration	\$ 12,600	\$ 12,600	\$ 4,599	\$ 8,001
Public works:				
Construction	20,000	20,000	-	20,000
Surface maintenance	34,500	34,500	36,546	( 2,046)
Traffic services	500	500	504	( 4)
Winter maintenance	29,000	29,000	21,868	7,132
TOTAL EXPENDITURES	\$ 96,600	\$ 96,600	\$ 63,517	\$ 33,083
EXCESS OF REVENUES (EXPENDITURES)	(\$ 66,200)	(\$ 66,200)	(\$ 29,537)	\$ 36,663
Other financing sources (uses) -				
Operating transfers in	66,200	66,200	35,200	( 31,000)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 5,663	\$ 5,663
Fund balance, beginning of year	16	16	16	-
FUND BALANCE, END OF YEAR	\$ 16	\$ 16	\$ 5,679	\$ 5,663

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
ROAD FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues -				
Taxes	\$ 27,000	\$ 27,000	\$ 30,224	\$ 3,224
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 27,000	\$ 27,000	\$ 30,224	\$ 3,224
Other financing sources (uses) -				
Operating transfers in (out)	( 27,000)	( 27,000)	( 18,172)	8,828
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 12,052	\$ 12,052
Fund balance, beginning of year	<u>9,965</u>	<u>9,965</u>	<u>9,965</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,965</u>	<u>\$ 9,965</u>	<u>\$ 22,017</u>	<u>\$ 12,052</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN

WATERFRONT FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
Other revenue -				
Rents and fees	\$ 10,500	\$ 10,500	\$ 9,657	(\$ 843)
Expenditures -				
Culture and recreation	<u>34,100</u>	<u>34,100</u>	<u>14,303</u>	<u>19,797</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 23,600)	(\$ 23,600)	(\$ 4,646)	\$ 18,954
Other financing sources (uses) -				
Operating transfers in	<u>23,600</u>	<u>23,600</u>	<u>16,279</u>	( <u>7,321</u> )
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 11,633	\$ 11,633
Fund balance, beginning of year	<u>12</u>	<u>12</u>	<u>12</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 12</u>	<u>\$ 12</u>	<u>\$ 11,645</u>	<u>\$ 11,633</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
HOUSING REHABILITATION FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues -				
Other revenue -				
Miscellaneous	\$ 2,000	\$ 2,000	\$ -	(\$ 2,000)
Expenditures -				
Other	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
EXCESS OF REVENUES				
(EXPENDITURES)	\$ -	\$ -	\$ -	\$ -
Fund balance,				
beginning of year	<u>12,377</u>	<u>12,377</u>	<u>12,377</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,377</u>	<u>\$ 12,377</u>	<u>\$ 12,377</u>	<u>\$ -</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
 REVOLVING LOAN FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the year ended February 28, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 5,000	\$ 5,000	\$ 42,225	\$ 37,225
Loan revenue -				
Loan repayments	<u>95,000</u>	<u>95,000</u>	<u>57,053</u>	( <u>37,947</u> )
TOTAL REVENUES	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 99,278</u>	( <u>\$ 722</u> )
Expenditures:				
General government				
administration	\$ -	\$ -	\$ 2,092	(\$ 2,092)
Loans and contingencies	187,000	187,000	230,000	( 43,000)
Other	<u>3,000</u>	<u>3,000</u>	<u>43</u>	<u>2,957</u>
TOTAL EXPENDITURES	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 232,135</u>	( <u>\$ 42,135</u> )
EXCESS OF REVENUES				
(EXPENDITURES)	(\$ 90,000)	(\$ 90,000)	(\$ 132,857)	(\$ 42,857)
Other financing sources				
(uses) -				
Operating transfers out	( <u>10,000</u> )	( <u>10,000</u> )	( <u>10,000</u> )	\$ -
EXCESS OF REVENUES AND				
OTHER SOURCES (EXPENDITURES				
AND OTHER USES)	(\$ 100,000)	(\$ 100,000)	(\$ 142,857)	(\$ 42,857)
Fund balance,				
beginning of year	<u>319,267</u>	<u>319,267</u>	<u>319,267</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 219,267</u>	<u>\$ 219,267</u>	<u>\$ 176,410</u>	( <u>\$ 42,857</u> )

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
For the year ended February 28, 2006

BUDGETARY INFORMATION

A draft of the budget is prepared by the Village Manager. The budget is then finalized during a series of budget work sessions with the Village Council. When the budget is finalized, a public hearing is held and the Council adopts the budget legally. This usually occurs in February before the beginning of the fiscal year but the budget may be amended at any time throughout the year. The budget is prepared on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended February 28, 2006, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
Revolving Loan	\$ 190,000	\$ 232,135

OTHER FINANCIAL INFORMATION

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF REVENUES AND OPERATING TRANSFERS IN  
BUDGET AND ACTUAL  
For the year ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL PROPERTY TAXES</u>		
Current tax levy	\$ 150,500	\$ 129,781
Interest and penalties	300	26
Administrative fees	1,000	1,560
Delinquent taxes	<u>10,000</u>	<u>8,700</u>
TOTAL GENERAL PROPERTY TAXES	<u>\$ 161,800</u>	<u>\$ 140,067</u>
 <u>INTERGOVERNMENTAL REVENUES</u>		
State shared revenues	\$ 150,000	\$ 143,075
Liquor license	1,500	1,533
Keweenaw Bay Indian Community	<u>20,000</u>	<u>-</u>
TOTAL INTERGOVERNMENTAL REVENUES	<u>\$ 171,500</u>	<u>\$ 144,608</u>
 <u>SERVICE CHARGES</u>		
Sales of cemetery lots	\$ 500	\$ 300
Industrial park rentals	3,500	2,810
Other rentals and charges	<u>4,000</u>	<u>6,756</u>
TOTAL SERVICE CHARGES	<u>\$ 8,000</u>	<u>\$ 9,866</u>
 <u>OTHER</u>		
Investment income	\$ 1,000	\$ 12,384
Reimbursements	247,800	305,173
District court ordinance fees	500	1,551
Miscellaneous	<u>22,600</u>	<u>56,995</u>
TOTAL OTHER	<u>\$ 271,900</u>	<u>\$ 376,103</u>
 <u>OPERATING TRANSFERS IN</u>		
Other funds	\$ 518,800	\$ 454,000
Component unit	<u>5,000</u>	<u>5,000</u>
TOTAL OPERATING TRANSFERS IN	<u>\$ 523,800</u>	<u>\$ 459,000</u>

The accompanying notes to financial statements  
are an integral part of this statement.



VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL  
For the year ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL GOVERNMENT</u>		
Village Council:		
Salaries and wages	\$ 15,400	\$ 14,450
Dues and memberships	2,500	2,409
Printing and publishing	3,000	1,939
Conventions and travel	1,000	183
Contracted services	3,000	-
Miscellaneous	<u>1,000</u>	<u>3,121</u>
	<u>\$ 25,900</u>	<u>\$ 22,102</u>
 Village Manager:		
Salaries and wages	\$ 29,000	\$ 15,759
Operating supplies	1,500	441
Vehicle expense	3,900	3,900
Telephone	1,400	879
Conventions and travel	3,300	5,534
Miscellaneous	<u>1,100</u>	<u>589</u>
	<u>\$ 40,200</u>	<u>\$ 27,102</u>
 Election expense:		
Salaries and wages	\$ 100	\$ -
Operating supplies	100	-
Printing and publishing	500	-
Miscellaneous	<u>100</u>	<u>-</u>
	<u>\$ 800</u>	<u>\$ -</u>
 Attorney - professional fees	<u>\$ 15,000</u>	<u>\$ 10,873</u>
 Clerk:		
Salaries	\$ 7,000	\$ 7,442
Office supplies	500	255
Printing and publishing	300	-
Conventions and travel	500	69
Miscellaneous	<u>100</u>	<u>33</u>
	<u>\$ 8,400</u>	<u>\$ 7,799</u>
 Treasurer:		
Salaries and wages	\$ 3,100	\$ 2,500
Operating supplies	1,000	693
Printing and publishing	1,000	809
Miscellaneous	<u>100</u>	<u>-</u>
	<u>\$ 5,200</u>	<u>\$ 4,002</u>

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL (CONTINUED)  
For the year ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL GOVERNMENT</u>		
General administrative:		
Salaries and wages	\$ 19,000	\$ 21,853
Operating supplies	5,000	10,421
Utilities	6,000	6,737
Contracted services	10,000	11,594
Conventions and travel	-	230
Miscellaneous	1,100	50
Capital outlay	<u>8,000</u>	<u>-</u>
	<u>\$ 49,100</u>	<u>\$ 50,885</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 144,600</u>	<u>\$ 122,763</u>
<u>PUBLIC SAFETY</u>		
Police department:		
Salaries and wages	\$ 126,100	\$ 116,034
Operating supplies	4,000	5,279
Utilities	1,500	1,980
Vehicle expense	1,000	2,868
Telephone	3,000	1,917
Conventions and travel	2,000	1,964
Miscellaneous	4,200	4,773
Capital outlay	<u>12,000</u>	<u>2,893</u>
	<u>\$ 153,800</u>	<u>\$ 137,708</u>
Fire department:		
Salaries and wages	\$ 7,500	\$ 10,730
Operating supplies	3,500	15,992
Vehicle expense	2,000	498
Utilities	2,700	5,665
Contracted services	500	295
Debt service	65,000	57,549
Miscellaneous	3,100	4,485
Capital outlay	<u>5,000</u>	<u>4,711</u>
	<u>\$ 89,300</u>	<u>\$ 99,925</u>
TOTAL PUBLIC SAFETY	<u>\$ 243,100</u>	<u>\$ 237,633</u>
<u>PUBLIC WORKS</u>		
Cemetery:		
Salaries and wages	\$ 3,000	\$ 249
Operating supplies	500	103
Utilities	300	-
Equipment rental	500	279
Contracted services	500	2,753
Capital outlay	<u>500</u>	<u>-</u>
	<u>\$ 5,300</u>	<u>\$ 3,384</u>

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL (CONTINUED)  
For the year ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>
<u>PUBLIC WORKS (CONTINUED)</u>		
Garage and equipment:		
Salaries and wages	\$ 46,000	\$ 33,249
Operating supplies	20,000	19,466
Equipment rental	6,000	7,617
Contracted services	12,500	11,982
Utilities	8,000	11,548
Conventions and travel	4,500	3,940
Miscellaneous	500	270
Capital outlay	14,000	-
	<u>\$ 111,500</u>	<u>\$ 88,072</u>
Gateway project - Contracted services	<u>\$ -</u>	<u>\$ 14,666</u>
TOTAL PUBLIC WORKS	<u>\$ 116,800</u>	<u>\$ 106,122</u>
<u>HEALTH AND WELFARE</u>		
Public housing - salaries and wages	\$ 500	\$ 500
Community promotion - community projects	18,000	19,803
TOTAL HEALTH AND WELFARE	<u>\$ 18,500</u>	<u>\$ 20,303</u>
<u>CULTURE AND RECREATION</u>		
Village parks and recreation:		
Salaries	\$ 7,500	\$ 1,520
Operating supplies	1,000	507
Repairs and maintenance	1,500	368
Contracted services	2,500	1,208
Utilities	10,000	11,682
Equipment rental	1,000	951
Capital outlay	500	-
Miscellaneous	100	43
TOTAL CULTURE AND RECREATION	<u>\$ 24,100</u>	<u>\$ 16,279</u>
<u>OTHER</u>		
Insurance and bonds	\$ 53,000	\$ 51,851
Payroll taxes	45,000	50,902
Retirement plan	124,800	118,456
Hospitalization insurance	226,600	227,331
Vacation, holiday, and sick pay	52,000	55,660
Clothing allowance	3,500	2,400
Capital outlay	100	7,311
Miscellaneous	21,100	4,380
Contracted services	3,800	-
TOTAL OTHER	<u>\$ 529,900</u>	<u>\$ 518,291</u>
<u>OPERATING TRANSFERS OUT</u>		
Component unit	<u>\$ 60,000</u>	<u>\$ 41,636</u>

The accompanying notes to financial statements  
are an integral part of this statement

VILLAGE OF BARAGA, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
February 28, 2006

	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>ASSETS</u>			
Cash in bank	\$ 47,294	\$ 13,890	\$ 12,341
Delinquent taxes receivable	-	-	10,032
Notes receivable	-	-	-
Due from other funds	-	8,200	12,076
Due from other governmental units	-	-	8,837
TOTAL ASSETS	<u>\$ 47,294</u>	<u>\$ 22,090</u>	<u>\$ 43,286</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable, compensation, and payroll taxes	\$ 615	\$ 613	\$ -
Due to other funds	10,563	15,798	4,000
Deferred revenue	-	-	17,269
TOTAL LIABILITIES	\$ 11,178	\$ 16,411	\$ 21,269
<u>FUND BALANCES</u>			
Unreserved	<u>36,116</u>	<u>5,679</u>	<u>22,017</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 47,294</u>	<u>\$ 22,090</u>	<u>\$ 43,286</u>

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ 1	\$ 9,792	\$ 180,638	\$ 263,956
-	-	-	10,032
-	2,585	1,125,049	1,127,634
14,144	-	-	34,420
-	-	-	8,837
<u>\$ 14,145</u>	<u>\$ 12,377</u>	<u>\$1,305,687</u>	<u>\$1,444,879</u>

\$ 1,662	\$ -	\$ -	\$ 2,890
838	-	4,278	35,477
-	-	<u>1,125,049</u>	<u>1,142,318</u>
\$ 2,500	\$ -	\$1,129,327	\$1,180,685

<u>11,645</u>	<u>12,377</u>	<u>176,360</u>	<u>264,194</u>
<u>\$ 14,145</u>	<u>\$ 12,377</u>	<u>\$1,305,687</u>	<u>\$1,444,879</u>

VILLAGE OF BARAGA, MICHIGAN  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the year ended February 28, 2006

	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>REVENUES</u>			
Current tax levy	\$ -	\$ -	\$ 30,224
Intergovernmental revenues	82,382	33,980	-
Interest income	-	-	-
Other	-	-	-
TOTAL REVENUES	<u>\$ 82,382</u>	<u>\$ 33,980</u>	<u>\$ 30,224</u>
<u>EXPENDITURES</u>			
Administration	\$ 6,315	\$ 4,599	\$ -
Culture and recreation	-	-	-
Economic development	-	-	-
Other	-	-	-
Streets:			
Surface maintenance	40,739	36,546	-
Winter maintenance	20,648	21,868	-
Traffic services	828	504	-
TOTAL EXPENDITURES	<u>\$ 68,530</u>	<u>\$ 63,517</u>	<u>\$ -</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 13,852</u>	<u>(\$ 29,537)</u>	<u>\$ 30,224</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers from other funds	\$ -	\$ 20,200	\$ -
Operating transfers to other funds	( 5,200)	-	( 15,000)
Operating transfers from component units	-	15,000	-
Operating transfers to component units	-	-	( 7,406)
Operating transfers from other governmental units	-	-	4,234
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 5,200)</u>	<u>\$ 35,200</u>	<u>(\$ 18,172)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 8,652</u>	<u>\$ 5,663</u>	<u>\$ 12,052</u>
Fund balances, beginning of year	<u>27,464</u>	<u>16</u>	<u>9,965</u>
FUND BALANCES, END OF YEAR	<u>\$ 36,116</u>	<u>\$ 5,679</u>	<u>\$ 22,017</u>

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 30,224
-	-	-	116,362
-	-	42,225	42,225
<u>9,657</u>	<u>-</u>	<u>57,053</u>	<u>66,710</u>
<u>\$ 9,657</u>	<u>\$ -</u>	<u>\$ 99,278</u>	<u>\$ 255,521</u>
\$ -	\$ -	\$ 2,092	\$ 13,006
14,303	-	-	14,303
-	-	230,000	230,000
-	-	43	43
-	-	-	77,285
-	-	-	42,516
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,332</u>
<u>\$ 14,303</u>	<u>\$ -</u>	<u>\$ 232,135</u>	<u>\$ 378,485</u>
(\$ 4,646)	\$ -	(\$ 132,857)	(\$ 122,964)
\$ 16,279	\$ -	\$ -	\$ 36,479
-	-	( 10,000)	( 30,200)
-	-	-	15,000
-	-	-	( 7,406)
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,234</u>
<u>\$ 16,279</u>	<u>\$ -</u>	<u>(\$ 10,000)</u>	<u>\$ 18,107</u>
\$ 11,633	\$ -	(\$ 142,857)	(\$ 104,857)
<u>12</u>	<u>12,377</u>	<u>319,267</u>	<u>369,101</u>
<u>\$ 11,645</u>	<u>12,377</u>	<u>\$ 176,410</u>	<u>\$ 264,244</u>

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS - ENTERPRISE  
 COMBINING BALANCE SHEET  
 February 28, 2006

	<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>
<u>CURRENT ASSETS</u>			
Cash in bank		\$ 33,749	\$ -
Investments		-	-
Investment in joint venture		-	-
Accounts receivable		10,305	-
Due from other funds		584	-
Due from component units		-	-
Due from other governmental units		-	23,058
Bond proceeds receivable		-	176,503
		<u>-</u>	<u>176,503</u>
	TOTAL CURRENT ASSETS	\$ 44,638	\$ 199,561
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Property, plant, and equipment		\$7,165,668	\$ 8,480
Accumulated depreciation		( 2,056,689)	( 7,878)
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$5,108,979	\$ 602
<u>OTHER ASSETS</u>			
Restricted assets - cash		\$ 182,757	\$ -
Due from other governmental units		-	-
Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority		-	5,354,751
	TOTAL OTHER ASSETS	\$ 182,757	\$5,354,751
	TOTAL ASSETS	<u>\$5,336,374</u>	<u>\$5,554,914</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable, compensation, and payroll taxes	\$ 8,364	\$ 26,992	
Cash overdraft	-	20,500	
Accrued interest payable	18,976	19,568	
Due to other funds	52,053	6,891	
Payable from restricted assets - customer deposits	-	-	
Current maturities on long-term debt	44,500	125,000	
	TOTAL CURRENT LIABILITIES	\$ 123,893	\$ 198,951
<u>LONG-TERM LIABILITIES</u>			
Revenue bonds payable, net of current maturities	1,799,000	2,765,000	
	TOTAL LIABILITIES	<u>\$1,922,893</u>	<u>\$2,963,951</u>
<u>FUND EQUITY</u>			
Contributed capital	\$3,486,769	\$2,236,986	
Retained earnings (deficit) - unreserved	( 212,451)	353,977	
Retained earnings - reserved for Bond retirement	139,163	-	
	TOTAL FUND EQUITY	<u>\$3,413,481</u>	<u>\$2,590,963</u>
	TOTAL LIABILITIES AND FUND EQUITY	<u>\$5,336,374</u>	<u>\$5,554,914</u>

The accompanying notes to financial statements  
 are an integral part of this statement.



<u>Electric</u>	<u>Total (Memorandum Only)</u>
\$ 878,188	\$ 911,937
186,292	186,292
125,479	125,479
18,337	28,642
1,896	2,480
3,000	3,000
-	23,058
<u>-</u>	<u>176,503</u>
<u>\$1,213,192</u>	<u>\$ 1,457,391</u>
 \$1,430,155	 \$ 8,604,303
( <u>956,080</u> )	( <u>3,020,647</u> )
<u>\$ 474,075</u>	<u>\$ 5,583,656</u>
 \$ 33,092	 \$ 215,849
84,258	84,258
 <u>-</u>	 <u>5,354,751</u>
<u>\$ 117,350</u>	<u>\$ 5,654,858</u>
<u><u>\$1,804,617</u></u>	<u><u>\$12,695,905</u></u>
  \$ 104,961	  \$ 140,317
-	20,500
-	38,544
18,934	77,878
33,092	33,092
<u>-</u>	<u>169,500</u>
<u>\$ 156,987</u>	<u>\$ 479,831</u>
 <u>-</u>	 <u>4,564,000</u>
<u>\$ 156,987</u>	<u>\$ 5,043,831</u>
 \$ 177,429	 \$ 5,901,184
1,470,201	1,611,727
 <u>-</u>	 <u>139,163</u>
<u>\$1,647,630</u>	<u>\$ 7,652,074</u>
<u><u>\$1,804,617</u></u>	<u><u>\$12,695,905</u></u>

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS - ENTERPRISE  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS  
 For the year ended February 28, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	Total (Memorandum Only)
<u>OPERATING REVENUES</u>	\$ 409,838	\$ 130,841	\$1,652,659	\$ 2,193,338
<u>OPERATING EXPENSES</u>				
See schedule	<u>594,677</u>	<u>132,624</u>	<u>1,081,436</u>	<u>1,808,737</u>
OPERATING INCOME (LOSS)	(\$ <u>184,839</u> )	(\$ <u>1,783</u> )	\$ <u>571,223</u>	\$ <u>384,601</u>
<u>NON-OPERATING REVENUES</u> <u>(EXPENSES)</u>				
Interest income	\$ 1,379	\$ -	\$ 24,567	\$ 25,946
Interest expense on notes and bonds	( 90,116)	( 19,568)	-	( 109,684)
Distributions	-	-	17,692	17,692
Income (loss) from investments	<u>-</u>	<u>( 84,860)</u>	<u>-</u>	<u>( 84,860)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ <u>88,737</u> )	(\$ <u>104,428</u> )	\$ <u>42,259</u>	(\$ <u>150,906</u> )
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	(\$ <u>273,576</u> )	(\$ <u>106,211</u> )	\$ <u>613,482</u>	\$ <u>233,695</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers from other governmental units:				
KBIC	\$ 19,700	\$ -	\$ -	\$ 19,700
State of Michigan	14,000	-	-	14,000
Operating transfers to other funds	-	-	( 460,279)	( 460,279)
Capital contribution	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>33,700</u>	\$ <u>150,000</u>	(\$ <u>460,279</u> )	(\$ <u>276,579</u> )
NET INCOME (LOSS)	(\$ <u>239,876</u> )	\$ <u>43,789</u>	\$ <u>153,203</u>	(\$ <u>42,884</u> )
Add depreciation on property, plant and equipment acquired by federal and state grants which reduce contributed capital	<u>74,135</u>	<u>121,750</u>	<u>31,013</u>	<u>226,898</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ <u>165,741</u> )	\$ <u>165,539</u>	\$ <u>184,216</u>	\$ <u>184,014</u>
Retained earnings (deficit) beginning of year	<u>92,453</u>	<u>188,438</u>	<u>1,285,985</u>	<u>1,566,876</u>
RETAINED EARNINGS (DEFICIT) END OF YEAR	(\$ <u>73,288</u> )	\$ <u>353,977</u>	\$ <u>1,470,201</u>	\$ <u>1,750,890</u>

The accompanying notes to financial statements  
 are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS - ENTERPRISE  
COMBINING SCHEDULE OF OPERATING EXPENSES  
For the year ended February 28, 2006

OPERATING EXPENSES	Water	Sewer	Electric	Total (Memorandum Only)
Salaries and wages	\$ 127,409	\$ 65,422	\$ 55,860	\$ 248,691
Vacation, holiday, and sick pay	11,427	7,074	4,789	23,290
Payroll taxes	9,656	4,966	4,239	18,861
Retirement plan	22,103	13,683	9,263	45,049
Hospitalization insurance	37,920	23,474	15,890	77,284
Power purchased	-	-	790,240	790,240
Office supplies and postage	337	149	149	635
Operating supplies	34,825	3,827	34,069	72,721
Repairs and maintenance	30,340	3,251	-	33,591
Equipment rental	2,843	-	10,237	13,080
Sales tax	-	-	26,065	26,065
Utilities	37,088	517	-	37,605
Insurance and bonds	2,519	1,401	948	4,868
Contracted services	23,559	8,564	64,845	96,968
Provision for depreciation	251,290	278	64,440	316,008
Miscellaneous	<u>3,361</u>	<u>18</u>	<u>402</u>	<u>3,781</u>
TOTAL OPERATING EXPENSES	<u>\$ 594,677</u>	<u>\$ 132,624</u>	<u>\$ 1,081,436</u>	<u>\$ 1,808,737</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS - ENTERPRISE  
 COMBINING STATEMENT OF CASH FLOWS  
 For the year ended February 28, 2006

	<u>Water</u>	<u>Sewer</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>OPERATING ACTIVITIES</u>		
Operating income (loss)	(\$ 184,839)	(\$ 1,783)
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	251,290	278
Changes in assets and liabilities:		
Accounts receivable (increase) decrease	1,267	-
Due from other governmental units	-	8,799
Accounts payable increase (decrease)	( 314)	26,723
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 67,404</u>	<u>\$ 34,017</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>NONCAPITAL FINANCING ACTIVITIES</u>		
Due to other funds increase (decrease)	\$ 12,052	\$ 474
Due from other funds (increase) decrease	-	5,975
Transfers from other governmental units	33,700	-
Transfers to other funds	-	-
CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>\$ 45,752</u>	<u>\$ 6,449</u>
<u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Restricted assets (increase) decrease	(\$ 24,782)	\$ -
Acquisition of property, plant, and equipment	-	-
Payments on revenue bonds	( 38,500)	-
Interest paid on revenue bonds	( 87,350)	-
Bond proceeds	-	2,713,497
Transfer from other governmental units	-	150,000
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(\$ 150,632)</u>	<u>\$2,863,497</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>INVESTING ACTIVITIES</u>		
Interest received on investments	\$ 1,379	\$ -
Investments (increase) decrease	-	( 2,889,008)
Distributions from investments	-	-
Investment in joint venture (increase) decrease	-	-
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ 1,379</u>	<u>(\$2,889,008)</u>
NET INCREASE (DECREASE) IN CASH	(\$ 36,097)	\$ 14,955
Cash, beginning of year	<u>69,846</u>	<u>( 35,455)</u>
CASH, END OF YEAR	<u><u>\$ 33,749</u></u>	<u><u>(\$ 20,500)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Electric</u>	<u>Total (Memorandum Only)</u>
\$ 571,223	\$ 384,601
64,440	316,008
4,576	5,843
15,137	23,936
<u>44,132</u>	<u>70,541</u>
<u>\$ 699,508</u>	<u>\$ 800,929</u>
(\$ 189)	\$ 12,337
5,242	11,217
-	33,700
<u>( 460,279)</u>	<u>( 460,279)</u>
<u>(\$ 455,226)</u>	<u>(\$ 403,025)</u>
(\$ 1,212)	(\$ 25,994)
( 89,457)	( 89,457)
-	( 38,500)
-	( 87,350)
-	2,713,497
<u>-</u>	<u>150,000</u>
<u>(\$ 90,669)</u>	<u>\$ 2,622,196</u>
\$ 24,567	\$ 25,946
( 5,188)	( 2,894,196)
17,692	17,692
<u>( 12,310)</u>	<u>( 12,310)</u>
<u>\$ 24,761</u>	<u>(\$ 2,862,868)</u>
\$ 178,374	\$ 157,232
<u>699,814</u>	<u>734,205</u>
<u>\$ 878,188</u>	<u>\$ 891,437</u>

VILLAGE OF BARAGA, MICHIGAN

WATER FUND  
BALANCE SHEETS

	February 28, 2006	February 28, 2005
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 33,749	\$ 69,846
Accounts receivable	10,305	11,572
Due from other funds	<u>584</u>	<u>584</u>
TOTAL CURRENT ASSETS	\$ 44,638	\$ 82,002
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property, plant, and equipment	\$ 7,165,668	\$ 7,165,668
Accumulated depreciation	<u>( 2,056,689)</u>	<u>( 1,805,399)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 5,108,979	\$ 5,360,269
<u>OTHER ASSETS</u>		
Restricted assets - cash	\$ 182,757	\$ 157,975
TOTAL ASSETS	<u>\$ 5,336,374</u>	<u>\$ 5,600,246</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 8,364	\$ 8,678
Accrued interest payable	18,976	16,210
Due to other funds	52,053	40,001
Current maturities on long-term debt	<u>44,500</u>	<u>38,500</u>
TOTAL CURRENT LIABILITIES	\$ 123,893	\$ 103,389
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds payable, net of current maturities	<u>1,799,000</u>	<u>1,843,500</u>
TOTAL LIABILITIES	\$ 1,922,893	\$ 1,946,889
<u>FUND EQUITY</u>		
Contributed capital	\$ 3,486,769	\$ 3,560,904
Retained earnings (deficit) - unreserved	<u>( 212,451)</u>	<u>( 39,158)</u>
Retained earnings - reserved:		
Revenue bond retirement	40,352	33,224
Bond reserve accounts	<u>98,811</u>	<u>98,387</u>
TOTAL FUND EQUITY	\$ 3,413,481	\$ 3,653,357
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,336,374</u>	<u>\$ 5,600,246</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
WATER FUND  
STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 28,</u>	<u>February 28,</u>
	<u>2006</u>	<u>2005</u>
<u>OPERATING REVENUES</u>	\$ 409,838	\$ 388,145
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 127,409	\$ 106,302
Vacation, holiday, and sick pay	11,427	8,790
Payroll taxes	9,656	8,132
Retirement plan	22,103	20,135
Hospitalization insurance	37,920	40,174
Office supplies	337	2,254
Operating supplies	34,825	31,603
Repairs and maintenance	30,340	4,006
Equipment rental	2,843	2,164
Utilities and heating	37,088	31,765
Insurance and bonds	2,519	3,177
Contracted services	23,559	20,083
Provision for depreciation	251,290	200,666
Miscellaneous	3,361	4,987
TOTAL OPERATING EXPENSES	\$ 594,677	\$ 484,238
OPERATING INCOME (LOSS)	(\$ 184,839)	(\$ 96,093)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	\$ 1,379	\$ 1,199
Interest expense on bonds	( 90,116)	( 65,214)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 88,737)	(\$ 64,015)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating transfers from other governmental units - KBIC	\$ 33,700	\$ 41,061
NET INCOME (LOSS)	(\$ 239,876)	(\$ 119,047)
Add depreciation on property, plant and equipment acquired by federal and state grants which reduce contributed capital	74,135	74,135
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ 165,741)	(\$ 44,912)
Retained earnings (deficit), beginning of year	92,453	137,365
RETAINED EARNINGS (DEFICIT), END OF YEAR	(\$ 73,288)	\$ 92,453

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

WATER FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
For the year ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>	\$ 402,100	\$ 409,838	\$ 7,738
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 110,000	\$ 127,409	(\$ 17,409)
Vacation, holiday, and sick pay	-	11,427	( 11,427)
Payroll taxes	66,900	9,656	57,244
Retirement plan	-	22,103	( 22,103)
Hospitalization insurance	-	37,920	( 37,920)
Office supplies	100	337	( 237)
Operating supplies	25,000	34,825	( 9,825)
Repairs and maintenance	13,900	30,340	( 16,440)
Equipment rental	3,800	2,843	957
Utilities and heating	35,000	37,088	( 2,088)
Insurance and bonds	1,000	2,519	( 1,519)
Contracted services	8,200	23,559	( 15,359)
Provision for depreciation	-	251,290	( 251,290)
Miscellaneous	4,900	3,361	1,539
TOTAL OPERATING EXPENSES	\$ 268,800	\$ 594,677	(\$ 325,877)
OPERATING INCOME (LOSS)	\$ 133,300	(\$ 184,839)	(\$ 318,139)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	\$ 1,000	\$ 1,379	\$ 379
Interest expense on bonds	( 154,100)	( 90,116)	63,984
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 153,100)	(\$ 88,737)	\$ 64,363
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers from other governmental units	\$ 19,800	\$ 33,700	\$ 13,900
NET INCOME (LOSS)	\$ -	(\$ 239,876)	(\$ 239,876)
Add depreciation on property, plant and equipment acquired by federal and state grants which reduces contributed capital	-	74,135	74,135
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ -	(\$ 165,741)	(\$ 165,741)
Retained earnings (deficit), beginning of year	92,453	92,453	-
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 92,453	(\$ 73,288)	(\$ 165,741)

The accompanying notes to financial statements  
are an integral part of this statement.



VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
BALANCE SHEETS

	<u>February 28,</u> <u>2006</u>	<u>February 28,</u> <u>2005</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Due from other funds	\$ -	\$ 5,975
Due from other governmental units	23,058	31,856
Bond proceeds receivable	<u>176,503</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>\$ 199,561</u>	<u>\$ 37,831</u>
<u>PROPERTY AND EQUIPMENT</u>		
Equipment	\$ 8,480	\$ 8,480
Accumulated depreciation	( <u>7,878</u> )	( <u>7,600</u> )
TOTAL PROPERTY AND EQUIPMENT	<u>\$ 602</u>	<u>\$ 880</u>
<u>OTHER ASSETS</u>		
Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	<u>\$ 5,354,751</u>	<u>\$ 2,550,604</u>
TOTAL ASSETS	<u>\$ 5,554,914</u>	<u>\$ 2,589,315</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Cash overdraft	\$ 20,500	\$ 35,455
Accounts payable, compensation, and payroll taxes	26,992	269
Accrued interest payable	19,568	-
Due to other funds	6,891	6,417
Current maturities on long-term debt	<u>125,000</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>\$ 198,951</u>	<u>\$ 42,141</u>
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds payable, net of current maturities	<u>2,765,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 2,963,951</u>	<u>\$ 42,141</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 2,236,986	\$ 2,358,736
Retained earnings (deficit) - Unreserved	<u>353,977</u>	<u>188,438</u>
TOTAL FUND EQUITY	<u>\$ 2,590,963</u>	<u>\$ 2,547,174</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,554,914</u>	<u>\$ 2,589,315</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2006</u>	<u>February 28,</u> <u>2005</u>
<u>OPERATING REVENUES</u>	\$ 130,841	\$ 124,213
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 65,422	\$ 58,906
Vacation, holiday, and sick pay	7,074	6,016
Payroll taxes	4,966	4,506
Retirement plan	13,683	12,465
Hospitalization insurance	23,474	24,870
Office supplies and postage	149	112
Operating supplies	3,827	9,167
Repairs and maintenance	3,251	668
Equipment rental	-	209
Utilities	517	-
Insurance and bonds	1,401	1,809
Contracted services	8,564	8,173
Provision for depreciation	278	278
Miscellaneous	18	-
TOTAL OPERATING EXPENSES	\$ 132,624	\$ 127,179
OPERATING LOSS	(\$ 1,783)	(\$ 2,966)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Gain (loss) from investment in Baraga		
Village/Keweenaw Bay Reservation		
Waste Water Authority	(\$ 84,860)	(\$ 88,886)
Interest expense on bonds	( 19,568)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 104,428)	(\$ 88,886)
<u>OTHER FINANCING SOURCES (USES)</u>		
Contributed capital	\$ 150,000	\$ -
NET INCOME (LOSS)	\$ 43,789	(\$ 91,852)
Add depreciation on property, plant, and equipment		
acquired by federal and state grants which reduces		
contributed capital	121,750	121,750
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ 165,539	\$ 29,898
Retained earnings, beginning of year	188,438	158,540
RETAINED EARNINGS, END OF YEAR	\$ 353,977	\$ 188,438

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
For the year ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>	\$ 149,200	\$ 130,841	(\$ 18,359)
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 68,000	\$ 65,422	\$ 2,578
Vacation, holiday, and sick pay	-	7,074	( 7,074)
Payroll taxes	49,000	4,966	44,034
Retirement plan	-	13,683	( 13,683)
Hospitalization insurance	-	23,474	( 23,474)
Office supplies and postage	-	149	( 149)
Operating supplies	12,000	3,827	8,173
Repairs and maintenance	6,000	3,251	2,749
Equipment rental	1,500	-	1,500
Utilities	1,100	517	583
Insurance and bonds	2,500	1,401	1,099
Contracted services	8,000	8,564	( 564)
Provision for depreciation	-	278	( 278)
Miscellaneous	1,100	18	1,082
TOTAL OPERATING EXPENSES	\$ 149,200	\$ 132,624	\$ 16,576
OPERATING INCOME (LOSS)	\$ -	(\$ 1,783)	(\$ 1,783)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Gain (loss) from investments in Baraga Village/Keweenaw Bay			
Reservation Waste Water Authority	\$ -	(\$ 84,860)	(\$ 84,860)
Interest expense on bonds	-	( 19,568)	19,568)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ -	(\$ 104,428)	(\$ 104,428)
<u>OTHER FINANCING SOURCES (USES)</u>			
Contributed capital	\$ -	\$ 150,000	\$ 150,000
NET INCOME (LOSS)	\$ -	\$ 43,789	\$ 43,789
Add depreciation on property, plant and equipment acquired by federal and state grants which reduces contributed capital	-	121,750	121,750
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ -	\$ 165,539	\$ 165,539
Retained earnings, beginning of year	188,438	188,438	-
RETAINED EARNINGS, END OF YEAR	\$ 188,438	\$ 353,977	\$ 165,539

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
BALANCE SHEETS

	February 28, 2006	February 28, 2005
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 878,188	\$ 699,814
Investments	186,292	181,104
Investment in joint venture	125,479	113,169
Accounts receivable	18,337	22,913
Due from other funds	1,896	7,138
Due from component unit	3,000	3,000
TOTAL CURRENT ASSETS	<u>\$ 1,213,192</u>	<u>\$ 1,027,138</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property, plant, and equipment	\$ 1,430,155	\$ 1,340,698
Accumulated depreciation	( 956,080)	( 891,640)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 474,075</u>	<u>\$ 449,058</u>
<u>OTHER ASSETS</u>		
Restricted assets - Cash	\$ 33,092	\$ 31,880
Due from other governmental units	84,258	99,395
TOTAL OTHER ASSETS	<u>\$ 117,350</u>	<u>\$ 131,275</u>
TOTAL ASSETS	<u>\$ 1,804,617</u>	<u>\$ 1,607,471</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 104,961	\$ 62,041
Payable from restricted assets - customer deposits	33,092	31,880
Due to other funds	18,934	19,123
TOTAL LIABILITIES	<u>\$ 156,987</u>	<u>\$ 113,044</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 177,429	\$ 208,442
Retained earnings - unreserved	1,470,201	1,285,985
TOTAL FUND EQUITY	<u>\$ 1,647,630</u>	<u>\$ 1,494,427</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,804,617</u>	<u>\$ 1,607,471</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2006</u>	<u>February 28,</u> <u>2005</u>
<u>OPERATING REVENUES</u>	<u>\$ 1,652,659</u>	<u>\$ 1,523,805</u>
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 55,860	\$ 49,010
Vacation, holiday, and sick pay	4,789	4,072
Payroll taxes	4,239	3,749
Retirement plan	9,263	8,438
Hospitalization insurance	15,890	16,835
Power purchased	790,240	874,130
Office supplies and postage	149	123
Operating supplies	34,069	7,252
Equipment rental	10,237	13,075
Sales tax	26,065	23,751
Insurance	948	1,225
Contracted services	64,845	37,203
Provision for depreciation	64,440	62,939
Miscellaneous	402	1,991
TOTAL OPERATING EXPENSES	<u>\$ 1,081,436</u>	<u>\$ 1,103,793</u>
OPERATING INCOME	<u>\$ 571,223</u>	<u>\$ 420,012</u>
<u>NON-OPERATING REVENUES</u>		
Interest income	\$ 24,567	\$ 22,816
Distributions	17,692	14,788
TOTAL NON-OPERATING REVENUES	<u>\$ 42,259</u>	<u>\$ 37,604</u>
INCOME BEFORE OPERATING TRANSFERS	<u>\$ 613,482</u>	<u>\$ 457,616</u>
<u>OPERATING TRANSFERS IN (OUT)</u>		
Other funds	( 460,279)	( 404,850)
NET INCOME	<u>\$ 153,203</u>	<u>\$ 52,766</u>
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	<u>31,013</u>	<u>31,013</u>
INCREASE IN RETAINED EARNINGS	<u>\$ 184,216</u>	<u>\$ 83,779</u>
Retained earnings, beginning of year	<u>1,285,985</u>	<u>1,202,206</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,470,201</u>	<u>\$ 1,285,985</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
For the year ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>	<u>\$1,597,900</u>	<u>\$1,652,659</u>	(\$ 95,241)
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 53,600	\$ 55,860	(\$ 2,260)
Vacation, holiday, and sick pay	-	4,789	( 4,789)
Payroll taxes	37,600	4,239	33,361
Retirement plan	-	9,263	( 9,263)
Hospitalization	-	15,890	( 15,890)
Power purchased	912,000	790,240	121,760
Office supplies and postage	100	149	( 49)
Operating supplies	25,000	34,069	( 9,069)
Equipment rental	12,000	10,237	1,763
Sales tax	24,000	26,065	( 2,065)
Insurance	3,100	948	2,152
Contracted services	55,000	64,845	( 9,845)
Provision for depreciation	-	64,440	( 64,440)
Miscellaneous	77,100	402	76,698
TOTAL OPERATING EXPENSES	<u>\$1,199,500</u>	<u>\$1,081,436</u>	<u>\$ 118,064</u>
OPERATING INCOME (LOSS)	\$ 398,400	\$ 571,223	\$ 22,823
<u>NON-OPERATING REVENUES</u>			
Interest income	\$ 5,000	\$ 24,567	\$ 19,567
Distributions	-	17,692	17,692
TOTAL NON-OPERATING REVENUES	<u>\$ 5,000</u>	<u>\$ 42,259</u>	<u>\$ 37,259</u>
INCOME (LOSS)			
BEFORE OPERATING TRANSFERS	\$ 403,400	\$ 613,482	\$ 60,082
<u>OPERATING TRANSFERS IN (OUT)</u>	( 553,400)	( 460,279)	93,121
NET INCOME (LOSS)	(\$ 150,000)	\$ 153,203	\$ 153,203
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	-	31,013	31,013
INCREASE (DECREASE)			
IN RETAINED EARNINGS	(\$ 150,000)	\$ 184,216	\$ 184,216
Retained earnings, beginning of year	1,285,985	1,285,985	-
RETAINED EARNINGS, END OF YEAR	<u>\$1,135,985</u>	<u>\$1,470,201</u>	<u>\$ 184,216</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the year ended February 28, 2006

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency- Pass-through program from - State/Drinking Water Revolving Fund - Capitalization Grant	66.468	5233-01	\$ 573,002
U.S. Department of Housing and Urban Development - Direct Grants Community Development Block Grant/ States Program	14.228	MSC- 204028-PW	<u>150,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 723,002</u></u>

See accompanying notes to schedule of expenditures of federal awards.

VILLAGE OF BARAGA, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended February 28, 2006

1. Federal expenditures represent only the program expenditures that are eligible for Federal participation.
2. This schedule is presented on the modified accrual basis of accounting, please refer to Note A of the financial statement notes for other significant accounting policies.



**JOSEPH M. DAAVETILA, P.C.**  
*Certified Public Accountant*  
417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

October 3, 2006

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards

We have audited the financial statements of the Village of Baraga, Michigan as of and for the year ended February 28, 2006, and have issued our report thereon dated October 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

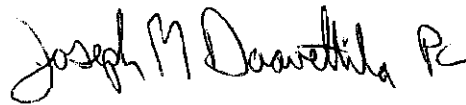
As part of obtaining reasonable assurance about whether the Village of Baraga, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**. However, we noted certain immaterial instances of non-compliance that we have reported to the management of the Village of Baraga, Michigan, in a separate letter dated October 3, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Baraga, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village of Baraga, Michigan in a separate letter dated October 3, 2006.

This report is intended for the information and use of the Village Council management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Joseph M. Davenport PC". The signature is fluid and cursive, with the initials "PC" written at the end.

Certified Public Accountant

**JOSEPH M. DAAVETILA, P.C.**  
*Certified Public Accountant*  
417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

October 3, 2006

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

Report on Compliance With Requirements Applicable  
to Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the Village of Baraga, Michigan with the types of compliance requirements described in the **U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement** that are applicable to its major federal program for the year ended February 28, 2006. The Village of Baraga, Michigan's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village of Baraga, Michigan's management. Our responsibility is to express an opinion on the Village of Baraga, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; an OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Baraga, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Baraga, Michigan's compliance with those requirements.

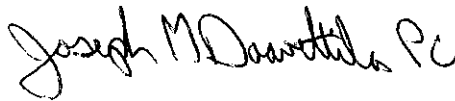
In our opinion, the Village of Baraga, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2006.

#### Internal Control Over Compliance

The management of the Village of Baraga, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Baraga, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Joseph M. Dawantila PC". The signature is written in a cursive, flowing style.

Certified Public Accountant

VILLAGE OF BARAGA, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended February 28, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weakness (es) identified?      Yes   X   No

Reportable condition (s) identified that are  
not considered to be material weakness (es)?      Yes   X   None reported

Noncompliance material to financial  
statements noted?      Yes   X   No

Federal Awards

Internal control over major programs:  
Material weakness (es) identified?      Yes   X   No

Reportable condition (s) identified that are  
not considered to be material weakness (es)?      Yes   X   None reported

Type of auditor's report issued on  
compliance for major programs: Unqualified

Any audit findings disclosed that are  
required to be reported in accordance with  
Section 510 (a) of Circular A-133?      Yes   X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollars threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?      Yes   X   No

Section II - Financial Statement Findings

None

Section III - Federal Award - Findings and Questioned Costs

None

**JOSEPH M. DAAVETILA, P.C.**  
*Certified Public Accountant*  
417 Shelden Avenue, P.O. Box 488  
Houghton, Michigan 49931

October 3, 2006

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

MANAGEMENT LETTER

In connection with our audit of the financial statements of the Village of Baraga, Michigan for the year ended February 28, 2006, the following comments and recommendations concerning accounting procedures and controls in effect in the Village are presented for your consideration.

The following comments have appeared in previous years' reports.

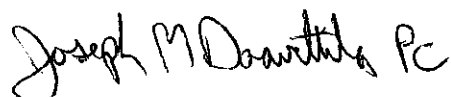
1. Cash receiving, depositing, and disbursing functions are all performed by persons having access to accounting records. Ideally, persons handling cash should have no access to accounting records. Also, bank reconciliations are prepared by the same person writing and recording checks. Management has determined that due to the limited size of its staff, it is inefficient and impractical to segregate these duties at this time.
2. We note an improvement in budget discipline - expenditures and transfers out exceeded appropriations in only one fund. We urge the Council to continue to avoid excess spending by comparing expenditures and budgets throughout the year. In some instances, it may be necessary to decrease budgeted expenditures to match decreases in anticipated revenues in order to continue to achieve a balanced budget.
3. As of February 28, 2006, there was a deficit in the fund balance/net assets of the Water Fund. We noted that management has implemented a series of steps to eliminate this situation. We strongly urge the Council to continue to monitor the activity in the Water Fund to ensure that measures which have been taken are adequate to correct the problem in a timely manner.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the February 28, 2006 financial statements, and this report does not affect our report on financial statements dated October 3, 2006.

This report is intended solely for the use of management and should not be used for any other purpose. The comments contained herein are submitted as constructive suggestions to assist the Village in strengthening controls and procedures, and are not intended to reflect upon the honesty or the integrity of any employee.

We would be happy to discuss any of the comments in this report, and would like to thank the officials and employees of the Village for the courtesy and cooperation shown us during our audit.

Very truly yours,



Certified Public Accountant